

PER SE TECHNOLOGIES INC

Form DEF 14A

April 19, 2006

Table of Contents

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

Per-Se Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- (1) Amount Previously Paid:

 - (2) Form, Schedule or Registration Statement No.:

 - (3) Filing Party:

 - (4) Date Filed:
-

Table of Contents

April 18, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Per-Se Technologies, Inc. (the Company) to be held at 10:00 a.m. local time on Thursday, May 25, 2006, at the JW Marriott Hotel (formerly the Pan Pacific San Francisco Hotel), 500 Post Street Union Square, San Francisco, California 94102.

At the Annual Meeting, seven people will be elected to the Board of Directors. The Board of Directors recommends that you vote **FOR** the election of the seven nominees named in the Proxy Statement.

In addition, the Company will ask the stockholders to ratify the appointment of the firm of Ernst & Young LLP as independent auditors of the Company for 2006 and approve a long-term incentive plan for the Company. The Board of Directors recommends that you vote **FOR** ratification of the appointment of Ernst & Young LLP as independent auditors and **FOR** approval of the long-term incentive plan.

Your vote is very important. Please vote by telephone, over the Internet or by completing and signing the proxy card and mailing it back even if you plan to attend the Annual Meeting. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously submitted your proxy. Your prompt cooperation will be greatly appreciated.

Sincerely,

Philip M. Pead
Chairman, President and Chief Executive Officer

Per-Se Technologies, Inc.
1145 Sanctuary Parkway, Suite 200
Alpharetta, Georgia 30004

770/237-4300
877/73PER-SE toll free
www.per-se.com

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT
GENERAL INFORMATION
ELECTION OF DIRECTORS (Proposal 1)
BOARD OF DIRECTORS
DIRECTOR AND EXECUTIVE OFFICER COMMON STOCK OWNERSHIP
PRINCIPAL STOCKHOLDERS
CERTAIN INFORMATION REGARDING EXECUTIVE OFFICERS
EMPLOYMENT AGREEMENTS
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934
COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION
COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION
STOCK PRICE PERFORMANCE GRAPH
AUDIT COMMITTEE REPORT
AUDITORS FEES
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS (Proposal 2)
APPROVAL OF THE 2006 LONG-TERM INCENTIVE PLAN (Proposal 3)
EQUITY COMPENSATION PLAN INFORMATION
OTHER MATTERS
STOCKHOLDER NOMINEES
STOCKHOLDER PROPOSALS
STOCKHOLDER COMMUNICATIONS WITH THE BOARD
ANNUAL REPORTS
EXPENSES OF SOLICITATION

Table of Contents

**PER-SE TECHNOLOGIES, INC.
1145 Sanctuary Parkway, Suite 200
Alpharetta, Georgia 30004**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 25, 2006**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Per-Se Technologies, Inc. (the Company) will be held at 10:00 a.m. local time on Thursday, May 25, 2006, at the JW Marriott Hotel (formerly the Pan Pacific San Francisco Hotel), 500 Post Street Union Square, San Francisco, California 94102:

(1) To elect seven (7) directors;

(2) To ratify the appointment of the firm of Ernst & Young LLP as independent auditors of the Company for 2006;

(3) To approve a long-term incentive plan; and

(4) To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of the Company has fixed the close of business on March 28, 2006, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the meeting and any adjournment thereof.

Your attention is directed to the Proxy Statement submitted with this Notice.

By Order of the Board of Directors,

Paul J. Quiner
*Senior Vice President,
General Counsel and Secretary*

Alpharetta, Georgia
April 18, 2006

PLEASE VOTE YOUR PROXY PROMPTLY VIA MAIL, THE INTERNET OR BY TELEPHONE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. PLEASE REFER TO YOUR SPECIFIC VOTING INSTRUCTIONS ON THE ENCLOSED PROXY OR VOTING INSTRUCTIONS CARD. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

Table of Contents

**PER-SE TECHNOLOGIES, INC.
1145 Sanctuary Parkway, Suite 200
Alpharetta, Georgia 30004
PROXY STATEMENT
Annual Meeting of Stockholders
To Be Held On May 25, 2006
GENERAL INFORMATION**

The enclosed form of proxy is solicited by the Board of Directors (the Board) of Per-Se Technologies, Inc. (the Company or Per-Se), which has its principal executive offices at 1145 Sanctuary Parkway, Suite 200, Alpharetta, Georgia 30004, for use at the Annual Meeting of Stockholders to be held at 10:00 a.m. local time on Thursday, May 25, 2006, at the JW Marriott Hotel (formerly the Pan Pacific San Francisco Hotel), 500 Post Street Union Square, San Francisco, California 94102, and any adjournment thereof. It is anticipated that this proxy statement (Proxy Statement) and the accompanying proxy will first be mailed to stockholders on or about April 25, 2006.

Only stockholders of record as of the close of business on March 28, 2006 (the Record Date), will be entitled to vote at the Annual Meeting. As of that date, the Company had outstanding 38,956,101 shares of common stock, \$.01 par value (Common Stock). Each share of Common Stock is entitled to one vote. No cumulative voting rights are authorized and appraisal rights for dissenting stockholders are not applicable to the matters being proposed.

When a proxy is properly executed and returned, the shares it represents will be voted as directed at the meeting and any adjournment thereof or, if no direction is indicated, such shares will be voted according to the recommendations of the Board. The Board's recommendations are set forth in this Proxy Statement with the descriptions of the matters to be voted on. In summary, the Board recommends a vote **FOR** each of the director nominees, **FOR** ratification of the appointment of Ernst & Young LLP as independent auditors and **FOR** the long-term incentive plan. Any stockholder giving a proxy has the power to revoke it at any time before it is voted. Revocation of a proxy is effective upon receipt by the Secretary of the Company of either (i) an instrument revoking such proxy or (ii) a duly executed proxy bearing a later date. Furthermore, if a stockholder attends the Annual Meeting and elects to vote in person, any previously executed proxy is thereby revoked, except that beneficial owners who hold their stock in street name cannot revoke their proxies in person at the meeting because the stockholders of record who have the right to cast the votes will not be present. If they wish to change their votes after returning voting instructions, such beneficial owners should contact their brokers or other agents before the Annual Meeting to determine whether they can do so.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspector of elections appointed for the meeting who will also determine whether a quorum is present for the transaction of business. The Company's Restated By-laws, as amended (the By-laws), provide that a quorum is present if the holders of a majority of the issued and outstanding stock of the Company entitled to vote at the meeting are present in person or represented by proxy. Abstentions will be counted as shares that are present and entitled to vote for purposes of determining whether a quorum is present, and thus will have the effect of a vote against a proposal that requires the affirmative vote of a majority of the shares held by the stockholders present in person or by proxy and entitled to vote thereon. Shares held by nominees for beneficial owners will also be counted for purposes of determining whether a quorum is present if the nominee has the discretion to vote on at least one of the matters presented and even though the nominee may not exercise discretionary voting power with respect to other matters and voting instructions have not been received from the beneficial owner (a broker non-vote). Broker non-votes will not have the effect of votes for or against matters presented for stockholder consideration.

Stockholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please review your proxy or voting instructions card to see which specific voting methods are available to you. Voting instructions are included on the proxy or voting instructions card. The Internet and telephone voting

Table of Contents

procedures are designed to authenticate stockholders' identities, to allow stockholders to vote and to allow stockholders to confirm that their instructions have been properly recorded.

Stockholders can elect to view proxy statements, annual reports and other stockholder communications over the Internet instead of receiving paper copies in the mail. Information about making that election is available by following the instructions on your proxy card, or by following the prompts if voting over the Internet or by telephone. Please consider making that election when voting your proxy.

**ELECTION OF DIRECTORS
(Proposal 1)**

The Board recommends the election of each of the nominees listed below for the office of director to hold office until the next Annual Meeting and until his successor is elected and qualified. All of such nominees are members of the present Board. Each of such nominees was elected by the stockholders at the last Annual Meeting.

The Board has no reason to believe that any of the director nominees will be unavailable for election as a director. If, however, at the time of the Annual Meeting any of the nominees should be unable or decline to serve, the persons named in the proxy will vote for such substitute nominees, vote to allow the vacancy created thereby to remain open until filled by the Board, or vote to reduce the number of directors for the ensuing year, as the Board recommends. In no event, however, can the proxy be voted to elect more than seven directors. The election of the nominees to the Board requires the affirmative vote of a plurality of the votes cast by stockholders present at the Annual Meeting in person or by proxy. With respect to the election of directors, stockholders may: (i) vote for all of the director nominees, (ii) withhold authority to vote for all of the nominees, or (iii) withhold authority to vote for any individual nominee or nominees but vote for all other nominees. Votes that are withheld will have no effect on the election of directors. Stockholders eligible to vote at the Annual Meeting do not have cumulative voting rights with respect to the election of directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE
STOCKHOLDERS VOTE FOR THE ELECTION OF THE SEVEN NOMINEES
NAMED IN THIS PROXY STATEMENT
BOARD OF DIRECTORS**

Director Nominees

The Company currently has seven directors, each of whom holds office until the Annual Meeting of Stockholders and until his successor is elected and qualified. All of the Company's directors are standing for reelection at the Annual Meeting. Set forth below is the name of each nominee for election to the Board. Also set forth below as to each nominee is his age, the year in which he first became a director, a brief description of his principal occupation and business experience during the past five years, directorships of certain companies presently held by him, and certain other information, which information has been furnished by the respective nominees.

John W. Clay, Jr.

Age 64

Director since 2004

Mr. Clay retired in December 2004 as Vice Chairman of SunTrust Banks, Inc., one of the nation's largest commercial banking organizations. In his capacity as Vice Chairman of SunTrust Banks he was responsible for SunTrust's four major geographic banking units, the Mid-Atlantic, Central, Carolinas and Florida regions, as well as the corporate and investment banking line of business and corporate sales and administration. He was elected Vice Chairman in August 2000. Previously, Mr. Clay was Executive Vice President and Managing Director of corporate and investment banking for SunTrust. Mr. Clay continued in an advisory and consulting

Table of Contents

role with SunTrust until his announced retirement in December 2005. Mr. Clay is a graduate of Vanderbilt University and the Stonier Graduate School of Banking at Rutgers University.

John W. Danaher, M.D.

Age 47

Director since 2004

Dr. Danaher is an Executive Vice President responsible for the Health Channel of HowStuffWorks Inc., a media and e-learning company that presents material explaining how various devices and processes work. From February 2001 until January 2006, Dr. Danaher was the President and Chief Executive Officer of QuickCompliance, Inc., a full-service e-learning company enabling healthcare and governmental organizations to address a comprehensive range of business imperatives, which was sold to HowStuffWorks Inc. in January 2006. From July 2000 until February 2001, Dr. Danaher was the President and Chief Operating Officer of HealthMarket, Inc., an on-line provider of consumer driven health plans. He served as an Executive Vice President with WebMD Corporation (Nasdaq: HLTH) from February 1999 to July 2000. Dr. Danaher earned undergraduate degrees from Trinity College and Bryn Mawr College. He earned his medical degree from Dartmouth Medical School, completed his residency and chief residency in Internal Medicine at Stanford University Medical Center and has also earned a M.B.A. from Stanford University.

Craig Macnab

Age 50

Director since 2002

Mr. Macnab is a Director and the President and Chief Executive Officer of Commercial Net Lease Realty, Inc. (NYSE: NNN), a real estate investment trust that owns primarily single tenant net-leased retail properties. From 2000 until 2003, Mr. Macnab was the Chief Executive Officer of JDN Realty Corporation, an Atlanta-based REIT specializing in the development and management of retail shopping centers. From 1997 to 1999, Mr. Macnab was the President of Tandem Capital, a venture capital firm that provided growth capital, primarily mezzanine debt, to small public companies. Mr. Macnab also serves on the Board of Directors of Developers Diversified Realty Corporation, a REIT that acquires, develops, leases and manages shopping centers.

David E. McDowell

Age 63

Director since 1996

Mr. McDowell is the former Chairman and Chief Executive Officer of the Company. He served as Chairman of the Board from October 1996 to May 2003, and as Chief Executive Officer of the Company from October 1996 to July 1998. From 1992 to 1996, he was President, Chief Operating Officer and a director of McKesson Corporation. Prior to 1992, Mr. McDowell served for over 25 years as a senior executive at IBM, including as a Vice President and President of the National Services Division.

Philip M. Pead

Age 53

Director since 2000

Mr. Pead is the Chairman, President and Chief Executive Officer of the Company. He has served as Chairman of the Board since May 2003, and as President and Chief Executive Officer of the Company since November 2000. From August 1999 to November 2000, Mr. Pead served as Executive Vice President and Chief Operating Officer of the Company. Mr. Pead joined the Company in April 1997 as a senior executive in the hospital software business and formed the Company's electronic transaction processing business segment in 1999. He served as the President of the hospital software business from May 1997 until August 1999. From May 1996 to April 1997, Mr. Pead was employed by Dun & Bradstreet Software as a senior executive with responsibility for international operations.

Table of Contents

C. Christopher Trower

Age 57

Director since 1997

Mr. Trower, a member of the Georgia and Kentucky bars, is engaged in the private practice of law. Since June 1997, he has been the owner of the Atlanta law firm of electriclaw.com. From 1988 to June 1997, Mr. Trower was a partner in the Atlanta law firm of Sutherland, Asbill & Brennan. Since 2005, Mr. Trower has also served as a Managing Director of R&T Steel and Wire Company, L.L.C., a manufacturer of modular pet kennels and security access panels.

Jeffrey W. Ubben

Age 44

Director since 2003

Mr. Ubben is a founder and Managing Partner of VA Partners, L.L.C., the general partner of several investment partnerships. From 1995 to 2000, Mr. Ubben was a Managing Partner of Blum Capital. Prior to that, he was a portfolio manager for Fidelity Investments from 1987 to 1995. Mr. Ubben is also a member of the Board of Directors of Mentor Corporation and Gartner, Inc.

Independent Directors

The Board consists of a substantial majority of independent directors, as independence is defined in National Association of Securities Dealers, Inc. (NASD) Rule 4200(a)(15), the standard applicable to the Company as a Nasdaq-listed issuer. The directors that the Board has determined to be independent under NASD Rule 4200(a)(15) are John W. Clay, Jr., John W. Danaher, M.D., Craig Macnab, C. Christopher Trower, and Jeffrey W. Ubben. The independent directors meet regularly in executive sessions at which only independent directors are present, in accordance with NASD Rule 4350(c)(2).

In May 2003, in connection with Philip M. Pead s election as the Company s Chairman of the Board, the Board established the position of Lead Independent Director. Mr. Trower currently serves as the Lead Independent Director. The primary duties of the Lead Independent Director are to chair meetings of the independent directors, to consult with the Chairman of the Board regarding Board meeting agendas, schedules and information flow, to facilitate communications between the independent directors, the Chairman and management, and to be of counsel to the Chairman and Chief Executive Officer.

Committees of the Board

The Board has established four standing committees: the Audit, Compensation, Compliance, and Governance Committees. The Audit, Compensation and Governance Committees consist entirely of independent directors as defined by NASD Rule 4200(a)(15). The Compliance Committee consists of a majority of independent directors. The members and the Chairman of each committee are nominated by the Governance Committee (which also serves as a nominating committee) and are elected by the Board. All of the committees report on their activities to the Board.

The Audit Committee of the Board (the Audit Committee) is composed of Craig Macnab, Chairman, John W. Clay, Jr., and C. Christopher Trower, each of whom meet the requirements for audit committee membership set forth in NASD Rule 4350(d)(2), including the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. The Board believes that the Chairman of the Audit Committee, Mr. Macnab, qualifies as an audit committee financial expert within the meaning of rules adopted by the Securities and Exchange Commission under Section 407 of the Sarbanes-Oxley Act of 2002. In addition, the Board believes that Mr. Macnab s past experience and background results in his financial sophistication within the meaning of NASD Rule 4350(d)(2). The Audit Committee has direct responsibility for the appointment, determination of compensation and oversight of the Company s independent auditors, oversight of management s fulfillment of its financial reporting and disclosure responsibilities, oversight of the Company s internal audit function, and maintenance of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters,

Table of Contents

including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. A copy of the Charter of the Audit Committee, which specifies the items enumerated in NASD Rule 4350(d)(1), is posted in the corporate governance area of the investors section of the Company's Internet website at www.per-se.com. The Audit Committee reviews and reassesses the adequacy of its Charter on an annual basis, in accordance with NASD Rule 4350(d)(1).

The Compensation Committee of the Board (the Compensation Committee) is composed of Jeffrey W. Ubben, Chairman, John W. Clay, Jr., John W. Danaher, M.D., and C. Christopher Trower, each of whom is independent as defined by NASD Rule 4200(a)(15). The duties of the Compensation Committee include determining all compensation, allowances and benefits for officers of the Company. The Committee makes such determination with respect to the Chief Executive Officer of the Company at a meeting in executive session, at which only members of the Compensation Committee are present. A copy of the Charter of the Compensation Committee, which addresses such determinations, is posted in the corporate governance area of the investors section of the Company's Internet website at www.per-se.com. The Compensation Committee's policies applicable to compensation of the Company's executive officers during 2005 are described herein under the caption Compensation Committee Report on Executive Compensation.

The Compliance Committee of the Board (the Compliance Committee) is composed of John W. Danaher, M.D., Chairman, John W. Clay, Jr., Philip M. Pead, and C. Christopher Trower. The Compliance Committee has oversight responsibility for the Company's compliance with laws, rules and regulations applicable to the conduct of its medical billing and collection activities, electronic claims processing activities, and other aspects of its business operations, including compliance with regulations issued under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Compliance Committee may exercise such additional authority as may be prescribed from time to time by resolution of the Board.

The Governance Committee of the Board (the Governance Committee) is composed of C. Christopher Trower, Chairman, John W. Clay, Jr., John W. Danaher, M.D., Craig Macnab, and Jeffrey W. Ubben, each of whom is independent as defined by NASD Rule 4200(a)(15). The Governance Committee is responsible for reviewing and assessing the composition and performance of the Board and formulating policies with respect to corporate governance. The Governance Committee also serves as a nominating committee to select nominees for election to the Board, and will consider nominees recommended by stockholders if such recommendations are submitted to the Board in accordance with the procedures specified in the By-laws for direct nominations of director candidates by stockholders. A description of those procedures is included herein under the caption Stockholder Nominees.

Nominees for Board membership must have appropriate business background and industry, technical and functional expertise related to the Company's products and services, and must meet the requirements of applicable Securities and Exchange Commission and Nasdaq rules regarding director and committee member qualification. The Governance Committee has, however, refrained from establishing more specific standing requirements for Board membership, because the specific skills and expertise required of Board members may vary from time to time, depending on the composition of the Board and an assessment of the needs of the Board and the Company at such time. The Governance Committee periodically examines the composition of the Board of Directors to determine whether the Board would better serve its purposes with the addition of one or more directors. If the Governance Committee determines that adding a new director is advisable, the Committee will initiate a search, working with other directors and management to identify qualified candidates. The Governance Committee identifies and evaluates all potential nominees for director, including any nominees that may be recommended by stockholders, on a case-by-case basis and it has not established any differences in the manner in which it evaluates nominees based on whether the nominee is recommended by a stockholder. Copies of the Charter of the Governance Committee and the Company's Corporate Governance Guidelines, which address the Governance Committee's director nominations function and related matters, are posted in the corporate governance area of the investors section of the Company's Internet website at www.per-se.com.

Table of Contents**Meetings in 2005; Attendance**

During 2005, the Board met fifteen (15) times, the Audit Committee met thirteen (13) times, the Compensation Committee met six (6) times, the Compliance Committee met four (4) times and the Governance Committee met four (4) times. Each of the incumbent directors attended 75% or more of the aggregate number of meetings of the Board and all committees on which he served. Each Board member is expected to attend the Annual Meetings of Stockholders of the Company, and all of the directors attended the Company's 2005 Annual Meeting of Stockholders.

Non-Employee Directors Compensation

The Company maintains a non-employee director compensation plan, which is intended to compensate non-employee members of the Board fairly for their talents and time spent on behalf of the Company. The plan provides both cash and equity compensation. The cash compensation consists of an annual retainer for Board membership in the amount of \$16,000, and a fee in the amount of \$1,000 for each Board meeting attended. In addition, the Lead Independent Director and the Board committee chairmen receive annual retainers, and the members of the committees including the committee chairmen receive fees for each committee meeting attended. The annual retainer for the Lead Independent Director is \$32,000, the annual retainer for the Audit Committee chair is \$4,000, the annual retainer for the Compensation Committee chair is \$3,000, and the annual retainer for the other committee chairs is \$2,000. The Audit Committee meeting fee is \$2,000 per meeting attended, and the meeting fee for the other committees is \$1,000 per meeting attended.

The Company reimburses each director for out-of-pocket expenses associated with each Board or committee meeting attended and for each other business meeting at which the Company has requested the director's presence.

Non-employee directors may elect to defer receipt and taxation of their cash fees and retainers by participating in the Company's Deferred Stock Unit Plan (the "Deferred Stock Unit Plan"), under which each non-employee director of the Company and certain selected key employees are permitted to defer cash compensation in the form of deferred stock units, each of which is deemed to be equivalent to one share of Common Stock. At a designated future distribution date selected by the participant, the stock units accumulated in the participant's account under the Deferred Stock Unit Plan will be distributed in the form of Common Stock, and will be taxable to the participant at that time based on the fair market value of the Common Stock.

As of March 28, 2006, the non-employee directors participating in the Deferred Stock Unit Plan and the total deferred stock units accumulated by each of them were as follows:

Name	Deferred Stock Units
John W. Clay, Jr.	2,008
Craig Macnab	17,939
C. Christopher Trower	40,821

The equity compensation under the non-employee director compensation plan consists of an initial grant of 10,000 stock options (upon first election or appointment to the Board) and an annual grant of 10,000 stock options for each year of service thereafter. Such options are granted under the Amended and Restated Per-Se Technologies, Inc. Non-Employee Director Stock Option Plan (the "Director Stock Option Plan").

Pursuant to the Company's stock ownership guidelines, each non-employee director is expected to achieve a significant level of ownership of the Company's Common Stock within five years of election to the Board. The current target ownership level for each non-employee director is five times the director's annual retainer for service on the Board and its committees. All non-employee directors whose target ownership levels were to have been achieved on or before April 18, 2006, have met their respective ownership targets. See Compensation Committee Report on Executive Compensation Stock Ownership Guidelines.

Table of Contents**DIRECTOR AND EXECUTIVE OFFICER COMMON STOCK OWNERSHIP**

The following table sets forth certain information regarding the beneficial ownership of Common Stock, as of March 28, 2006, by (i) each of the Company's directors, (ii) the Company's named executive officers (as defined herein under the caption "Certain Information Regarding Executive Officers - Executive Compensation"), and (iii) such directors and all executive officers as a group.

Name	Beneficial Ownership(1)	Percent of Class
John W. Clay, Jr.	22,008(2)	*
John W. Danaher, M.D.	20,000(3)	*
Craig Macnab	67,939(4)	*
David E. McDowell	1,228,949(5)	3.1%
Philip M. Pead	1,477,979(6)	3.7%
C. Christopher Trower	117,839(7)	*
Jeffrey W. Ubben	5,502,272(8)	14.1%
Chris E. Perkins	554,951(9)	1.4%
Patrick J. Leonard	55,644(10)	*
David F. Mason	50,151(11)	*
Paul J. Quiner	101,000(12)	*
All executive officers and directors as a group (14 persons)	9,428,021(13)	22.3%

* Beneficial ownership represents less than 1% of the outstanding Common Stock.

- (1) Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities which that person has the right to acquire within sixty (60) days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he has no economic or pecuniary interest. Except as set forth in the footnotes below, the persons named above have sole voting and investment power with respect to all shares of Common Stock shown as being beneficially owned by them.
- (2) Includes 20,000 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan. Also includes 2,008 deferred stock units credited under the Deferred Stock Unit Plan.
- (3) Includes 20,000 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan.
- (4) Includes 45,000 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan. Also includes 17,939 deferred stock units credited under the Deferred Stock Unit Plan.
- (5) Includes 7,100 shares held in a trust for Mr. McDowell's son. Also includes 811,062 shares that are not currently outstanding, but which may be acquired under the Second Amended and Restated Per-Se Technologies, Inc. Stock Option Plan, as amended (the Executive Stock Option Plan).
- (6)

Includes 2,716 shares held by family members, for which Mr. Pead disclaims beneficial ownership. Also includes 1,166,668 shares that are not currently outstanding, but which may be acquired under the Executive Stock Option Plan, 163,332 shares that are not currently outstanding, but which may be acquired under the Per-Se Technologies, Inc. Non-Qualified Stock Option Plan for Non-Executive Employees, as amended (the Employee Stock Option Plan), and 17,948 deferred stock units credited under the Deferred Stock Unit Plan.

Table of Contents

- (7) Includes 1,883 shares held by family members, for which Mr. Trower disclaims beneficial ownership. Also includes 74,665 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan, and 40,821 deferred stock units credited under the Deferred Stock Unit Plan.
- (8) Includes 30,000 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan. Also includes 5,472,272 shares owned directly by ValueAct Capital Master Fund, L.P., and may be deemed to be beneficially owned by (i) VA Partners, L.L.C., as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P., as the manager of ValueAct Capital Master Fund, L.P., and (iii) ValueAct Capital Management, LLC, as General Partner of ValueAct Capital Management, L.P. Jeffrey W. Ubben, Peter H. Kamin and George F. Hamel, Jr. are Managing Members of VA Partners, L.L.C. and ValueAct Capital Management, LLC. Mr. Ubben is attributed beneficial ownership of these shares as a managing partner of VA Partners, L.L.C. and ValueAct Capital Management, LLC, but disclaims beneficial ownership except to the extent of his pecuniary interest in each fund.
- (9) Includes 425,002 shares that are not currently outstanding, but which may be acquired under the Executive Stock Option Plan, and 100,000 shares that are not currently outstanding, but which may be acquired under the Employee Stock Option Plan. Also includes 29,282 deferred stock units credited under the Deferred Stock Unit Plan.
- (10) Consists of 55,644 shares that are not currently outstanding, but which may be acquired under the Employee Stock Option Plan.
- (11) Consists of 50,151 shares that are not currently outstanding, but which may be acquired under the Employee Stock Option Plan.
- (12) Includes 100,000 shares that are not currently outstanding, but which may be acquired under the Executive Stock Option Plan.
- (13) Includes 189,665 shares that are not currently outstanding, but which may be acquired under the Director Stock Option Plan; 2,693,732 shares that are not currently outstanding, but which may be acquired under the Executive Stock Option Plan; 400,794 shares that are not currently outstanding, but which may be acquired under the Employee Stock Option Plan; and 108,964 deferred stock units credited under the Deferred Stock Unit Plan.

Table of Contents**PRINCIPAL STOCKHOLDERS**

The table below sets forth certain information concerning each person known to the Board to be a beneficial owner, as such term is defined by the rules of the Securities and Exchange Commission, of more than 5% of the outstanding shares of the Common Stock.

Name and Address	Shares Beneficially Owned(1)	Percent of Class
VA Partners, L.L.C., and affiliates(2) 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133	5,472,272	14.1%
FMR Corp.(3) 82 Devonshire Street, Boston, MA 02109	4,941,532	12.7%
AMVESCAP PLC(4) 11 Devonshire Square, London EC2M 4Y4R, England	2,501,219	6.4%

- (1) See Note (1) under Director and Executive Officer Common Stock Ownership.
- (2) The number of shares reported was derived from a Schedule 13F-HR filed on February 13, 2006, by VA Partners, L.L.C. (VA Partners). Shares are owned directly by ValueAct Capital Master Fund, L.P., and may be deemed to be beneficially owned by (i) VA Partners, L.L.C., as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P., as the manager of ValueAct Capital Master Fund, L.P., and (iii) ValueAct Capital Management, LLC, as General Partner of ValueAct Capital Management, L.P. Jeffrey W. Ubben, Peter H. Kamin and George F. Hamel, Jr. are Managing Members of VA Partners, L.L.C. and ValueAct Capital Management, LLC. The reporting persons disclaim beneficial ownership of the reported stock except to the extent of their pecuniary interest therein.
- (3) The number of shares reported and the information included in this footnote were derived from a Schedule 13G/A filed on February 14, 2006, by FMR Corp. (FMR). Edward C. Johnson, III, as Chairman of FMR, is deemed a beneficial owner of the 4,941,532 shares of such common stock and jointly executed the Schedule 13G/A. FMR reports that it has sole voting power over 1,330,532 shares and sole dispositive power over 4,941,532 shares. FMR also reports that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such shares of common stock. Fidelity Management & Research Company (Fidelity) is a wholly-owned subsidiary of FMR and a registered investment adviser. Fidelity is the beneficial owner of 3,672,980 shares or 9.43% of such outstanding common stock as a result of acting as investment adviser to various investment companies (the Fidelity Funds). The ownership of one such investment company, Fidelity Small Cap Stock Fund, amounted to 2,499,400 shares or 6.42% of the Company s total outstanding common stock. Mr. Johnson and FMR, through its control of Fidelity, each has sole power to dispose of 3,672,980 shares owned by the Fidelity Funds. Neither FMR nor Mr. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds Boards of Trustees. Fidelity Management Trust Company (FMTC), a wholly-owned subsidiary of FMR and a bank as defined in Section 3(a)(6) of the Exchange Act, is the beneficial owner of 1,268,552 shares or 3.26% of the Company s outstanding common stock as a result of serving as investment manager of institutional account(s). Mr. Johnson and FMR, through its control of FMTC, each has sole dispositive power over 1,268,552 shares and sole power to vote or to direct the voting of 1,268,552 shares owned by the institutional account(s).

- (4) The number of shares reported was derived from a Schedule 13G/ A filed on February 13, 2006, by AMVESCAP PLC (AMVESCAP). AMVESCAP reports that it has sole voting power over 2,501,219 shares and sole dispositive power over 2,501,219 shares, and that such shares are held by the following entities in the following respective amounts: AIM Advisors, Inc., 540,148 shares; AIM Capital Management, Inc., 246,062 shares; Atlantic Trust Company, N.A., 900 shares; INVESCO GT Management S.A., 400 shares; INVESCO Institutional (N.A.), Inc., 20,300 shares; and Stein Roe Investment Counsel, Inc., 1,693,409 shares.

Table of Contents**CERTAIN INFORMATION REGARDING EXECUTIVE OFFICERS****Executive Compensation**

The following table provides certain summary information concerning compensation paid or accrued by the Company in 2005, 2004 and 2003 to or on behalf of the Company's Chief Executive Officer and the four other most highly compensated executive officers as of December 31, 2005 (collectively, the named executive officers) (G. Scott Mackenzie, President of the Company's Pharmacy Solutions division, is not included as a named executive officer because he was not employed by the Company during 2005).

Summary Compensation Table

Name and Principal Positions	Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation(1)	Restricted Stock Awards(2)	Securities Underlying Options	All Other Compensation(3)
Philip M. Pead	2005	\$ 519,752	\$ 355,437				\$ 15,461
Chairman, President and Chief Executive Officer	2004	439,423				250,000	13,798
	2003	365,385	108,000				13,896
Chris E. Perkins	2005	350,879	178,221		\$ 15,000		17,442
Executive Vice President,	2004	309,615	120,000		9,000	100,000	16,207
COO and Interim CFO	2003	250,000	222,000(4)		14,375		15,749
Patrick J. Leonard	2005	256,731	111,334				15,165
President, Physician Solutions	2004	221,060	60,000			70,000	11,182
	2003	184,851	25,568				9,033
David F. Mason	2005	225,112	111,135				17,115
President, Hospital Solutions	2004	193,769	196,000(5)			50,000	14,031
Revenue Cycle Management	2003	162,154	3,648				13,595
Paul J. Quiner	2005	244,231	106,721				11,914
Senior Vice President	2004	232,885	90,000			150,000	12,051
and General Counsel	2003	205,000	65,600				5,415

- (1) In accordance with rules of the Securities and Exchange Commission, amounts of perquisites and other personal benefits that did not exceed the lesser of \$50,000 or 10% of the named executive officer's total annual salary and bonus have been omitted.
- (2) Represents enhancement bonuses paid in the form of unvested deferred stock units (restricted stock equivalents) granted under the Deferred Stock Unit Plan, which vest at the rate of 20% each year over a period of five years. Any dividend equivalents paid on such units would be converted to additional deferred stock units that vest on the same schedule as the units with respect to which they were granted. As of December 31, 2005, the aggregate number and value of enhancement bonus deferred stock units held by each of the named executive officers was as follows: 8,974 units valued at \$209,633 for Mr. Pead; and 9,298 units valued at \$217,201 for Mr. Perkins. No units were held by Messrs. Leonard, Mason or Quiner.

- (3) Includes amounts paid by the Company on behalf of each named executive officer for matching 401(k) plan contributions, and life, dental, medical, vision and/or short-term disability insurance premiums. Company contributions under the 401(k) plan for the 2005 fiscal year were \$6,300 for each of Messrs. Pead, Perkins, Leonard, Mason and Quiner. The amount of life, dental, medical, vision and/or short-term disability insurance premiums paid for each of the named executive officers for the 2005 fiscal year was as follows: \$9,161 for Mr. Pead, \$11,142 for Mr. Perkins, \$8,865 for Mr. Leonard, \$10,815 for Mr. Mason, and \$5,614 for Mr. Quiner.
- (4) Includes a \$150,000 payment made in satisfaction of an outstanding signing compensation obligation under Mr. Perkins employment agreement.
- (5) Includes a \$146,000 sales commission paid in 2004.

Table of Contents**Stock Option Grants**

None of the named executive officers were granted stock options during 2005.

Stock Option Exercises

The table below shows information with respect to aggregate stock option exercises by the named executive officers during 2005, and the number of shares of Common Stock covered by both exercisable and unexercisable stock options held by the named executive officers as of December 31, 2005. The table also reflects the values for in-the-money options based on the positive spread between the exercise price of such options and the last reported sale price of the Common Stock on December 31, 2005.

Aggregated Option Exercises in 2005 and Year-End Option Values

Name	Number of Common Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the- Money Options at December 31, 2005	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Philip M. Pead						