

HLTH CORP
Form 10-K
March 02, 2009

Table of Contents

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

Form 10-K

**b ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2008

or

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

For the transition period from to

Commission file number: 0-24975

HLTH Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

94-3236644

(I.R.S. employer identification no.)

669 River Drive, Center 2

Elmwood Park, New Jersey

(Address of principal executive office)

07407-1361

(Zip code)

(201) 703-3400

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0001 per share	The Nasdaq Stock Market LLC (Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

Not Applicable

Edgar Filing: HLTH CORP - Form 10-K

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$1,971,200,000 (based on the closing price of HLTH Common Stock of \$11.32 per share on that date, as reported on the Nasdaq Global Select Market and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates).

As of February 20, 2009, there were 102,994,349 shares of HLTH Common Stock outstanding (including unvested shares of restricted HLTH Common Stock).

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the registrant's definitive proxy statement to be filed with the Commission relating to the registrant's 2009 Annual Meeting of Stockholders is incorporated by reference into Part III.

TABLE OF CONTENTS

	Page
<u>Forward-Looking Statements</u>	ii
<u>Definitions of Certain Measures</u>	ii
<u>PART I</u>	
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	35
<u>Item 1B. Unresolved Staff Comments</u>	54
<u>Item 2. Properties</u>	54
<u>Item 3. Legal Proceedings</u>	54
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	55
<u>PART II</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	56
<u>Item 6. Selected Financial Data</u>	59
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	61
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	88
<u>Item 8. Financial Statements and Supplementary Data</u>	89
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	89
<u>Item 9A. Controls and Procedures</u>	89
<u>Item 9B. Other Information</u>	89
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	90
<u>Item 11. Executive Compensation</u>	90
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	90
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	90
<u>Item 14. Principal Accountant Fees and Services</u>	90
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	91
<u>Signatures</u>	92
<u>Financial Statements</u>	F-1
<u>Index to Exhibits</u>	E-1
<u>EX-10.52</u>	
<u>EX-10.53</u>	
<u>EX-10.54</u>	
<u>EX-10.56</u>	
<u>EX-10.57</u>	
<u>EX-12.1</u>	
<u>EX-21</u>	
<u>EX-23.1</u>	
<u>EX-23.2</u>	
<u>EX-31.1</u>	

EX-31.2

EX-32.1

EX-32.2

WebMD®, WebMD Health and Benefits Managersm, CME Circle®, eMedicine®, MedicineNet®, Medpulse®, Medscape®, Medsite®, POREX®, Publishers Circle®, RxList®, Select Quality Care®, Summex®, theheart.org® The Little Blue Booktm are trademarks of HLTH Corporation or its subsidiaries.

Table of Contents

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains both historical and forward-looking statements. All statements, other than statements of historical fact, are or may be, forward-looking statements. For example, statements concerning projections, predictions, expectations, estimates or forecasts and statements that describe our objectives, future performance, plans or goals are, or may be, forward-looking statements. These forward-looking statements reflect management's current expectations concerning future results and events and can generally be identified by the use of expressions such as may, will, should, could, would, likely, predict, potential, continue, future, expect, anticipate, intend, plan, foresee, and other similar words or phrases, as well as statements in the future tense.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. The following important risks and uncertainties could affect our future results, causing those results to differ materially from those expressed in our forward-looking statements:

- the failure to achieve sufficient levels of usage of www.webmd.com and our other public portals;
- failure to achieve sufficient levels of usage and market acceptance of new or updated products and services;
- difficulties in forming and maintaining relationships with customers and strategic partners;
- the inability to successfully deploy new or updated applications or services;
- the anticipated benefits from acquisitions not being fully realized or not being realized within the expected time frames;
- the inability to attract and retain qualified personnel;
- adverse economic conditions and disruptions in the capital markets;
- general business or regulatory conditions affecting the healthcare, information technology, Internet and plastics industries being less favorable than expected; and
- the Risk Factors described in Item 1A of this Annual Report.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors, including unknown or unpredictable ones, could also have material adverse effects on our future results.

The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

DEFINITIONS OF CERTAIN MEASURES

In this Annual Report, we provide information regarding usage of *The WebMD Health Network* that WebMD has determined using internal technology that identifies and monitors usage by individual computers. As used in this Annual Report:

A unique user or unique visitor during any calendar month is an individual computer that accesses a Web site in *The WebMD Health Network* during the course of such calendar month, as determined by WebMD's tracking technology. Accordingly, with respect to such calendar month, once an individual computer accesses that Web site in *The WebMD Health Network*, that computer will generally be included in the total number of unique users or visitors for that month. Similarly, with respect to any calendar month, a computer accessing a specific Web site in *The WebMD Health Network* may only be counted once as a single unique user or visitor regardless of the number of times such computer accesses that Web site or the number of individuals who may use such computer. However, if that

Table of Contents

computer accesses more than one site within *The WebMD Health Network* during a calendar month, it will be counted once for each such site. A computer that does not access any of the Web sites in *The WebMD Health Network* during a particular calendar month is not included in the total number of unique users or visitors for that calendar month, even if such computer has in the past accessed one or more of these Web sites. In addition, if a computer blocks WebMD's tracking technology, it will be counted as a unique user or visitor in a particular month each time it visits one of these Web sites.

A page view is a Web page that is sent to the browser of a computer upon a request made by such computer and received by a server in *The WebMD Health Network*. The number of page views in *The WebMD Health Network* is not limited by its number of unique users or visitors. Accordingly, each unique user or visitor may generate multiple page views.

With respect to any given time period, aggregate page views are the total number of page views during such time period on all of the Web sites in *The WebMD Health Network*.

Third-party services that measure usage of Internet sites may provide different usage statistics than those reported by WebMD's internal tracking technology. These differences may occur as a result of differences in methodologies applied and differences in measurement periods. For example, third-party services typically apply their own proprietary methods of calculating usage, which may include surveying users and estimating site usage based on surveys, rather than based upon tracking such usage.

WebMD's private portals are licensed to employers and health plans for use by their employees and members. These private portals are not part of *The WebMD Health Network*, do not involve advertising or sponsorship by third parties, and their users and page views are not included in measurements of *The WebMD Health Network's* traffic volume.

Table of Contents

PART I

Item 1. Business

INTRODUCTION

Corporate Information

HLTH Corporation is a Delaware corporation that was incorporated in December 1995 and commenced operations in January 1996 as Healtheon Corporation. We changed our name to Healtheon/WebMD Corporation in November 1999, to WebMD Corporation in September 2000, to Emdeon Corporation in October 2005 and to HLTH Corporation in May 2007. Our common stock began trading on the Nasdaq National Market under the symbol HLTH on February 11, 1999 and now trades under that symbol on the Nasdaq Global Select Market.

Our principal executive offices are located at 669 River Drive, Center 2, Elmwood Park, New Jersey 07407-1361 and our telephone number is (201) 703-3400.

As of the date of this Annual Report, HLTH owns approximately 83.5% of the outstanding Common Stock of WebMD Health Corp., a publicly traded subsidiary of HLTH; and the wholly owned subsidiaries that constitute HLTH's Porex business.

WebMD Health Corp. In this Annual Report, we use the name WebMD to refer to the business conducted by our two operating segments, as described below, and the name WHC to refer to WebMD Health Corp., the public company that owns the WebMD business. WHC's Class A Common Stock began trading on the Nasdaq National Market under the symbol WBMD on September 29, 2005 and now trades on the Nasdaq Global Select Market. HLTH owns all 48,100,000 outstanding shares of WHC's Class B Common Stock. WHC Class A Common Stock has one vote per share, while WHC Class B Common Stock has five votes per share. As a result, the WHC Class B Common Stock owned by HLTH represents approximately 96.0% of the combined voting power of WHC's outstanding Common Stock as of the date of this Annual Report. All shares of WHC Class B Common Stock outstanding on September 29, 2010 (the fifth anniversary of the closing date of WHC's initial public offering) will automatically be converted on a share-for-share basis to shares of WHC Class A Common Stock. See Note 6 to the Consolidated Financial Statements included in this Annual Report for additional information regarding HLTH's ownership interest in, and relationships with, WHC.

Porex. In February 2008, we announced our intention to divest Porex and, as a result, we have reflected our Porex segment as a discontinued operation in the Consolidated Financial Statements contained in this Annual Report. For additional information, see Note 3 to those Consolidated Financial Statements. Porex develops, manufactures and distributes proprietary porous plastic products and components used in healthcare, industrial and consumer applications. Porex's customers include both end-users of its finished products, as well as manufacturers that include its components in their products. Porex is an international business with manufacturing operations in North America, Europe and Asia and customers in more than 75 countries.

Overview of Our Operating Segments

Through WebMD, we are a leading provider of health information services to consumers, physicians and other healthcare professionals, employers and health plans through our public and private online portals and health-focused publications. The online healthcare information, decision-support applications and communications services that we

provide:

enable consumers to obtain detailed information on a particular disease or condition, to locate physicians, to store individual healthcare information, to assess their personal health status, to receive periodic e-newsletters and alerts on topics of individual interest, and to participate in online communities with peers and experts;

Table of Contents

enable physicians and healthcare professionals to access clinical reference sources, to stay abreast of the latest clinical information, to learn about new treatment options, to earn continuing medical education (or CME) and continuing education (or CE) credit and to communicate with peers; and

enable employers and health plans to provide their employees and plan members with personalized health and benefit information and decision-support technology that helps them make more informed benefit, provider and treatment choices.

The WebMD Health Network includes *www.WebMD.com* (which we sometimes refer to as *WebMD Health*), our primary public portal for consumers, and *www.Medscape.com* (which we sometimes refer to as *Medscape from WebMD*), our primary public portal for physicians and other healthcare professionals, as well as other sites through which we provide our branded health and wellness content, tools and services. *The WebMD Health Network* does not include our private portals for employers and health plans, which are described below. In 2008, *The WebMD Health Network* had an average of approximately 51 million unique users per month and generated approximately 4.7 billion aggregate page views and WebMD-owned sites accounted for approximately 96% of the unique users and approximately 98% of the page views.

WebMD Health and our other consumer portals help consumers take an active role in managing their health by providing objective healthcare and lifestyle information. Our content offerings for consumers include access to health and wellness news articles and features, and decision-support services that help them make better informed decisions about treatment options, health risks and healthcare providers. *Medscape from WebMD* and our other portals for healthcare professionals help them improve their clinical knowledge and practice of medicine. The original content of our professional sites, including daily medical news, commentary, conference coverage, expert columns and CME activities, are written by authors from widely respected clinical and academic institutions and edited and managed by our in-house editorial staff.

Our public portals generate revenue primarily through the sale of advertising and sponsorship products, as well as CME services that are described below. We do not charge user fees for access to our public portals. We develop sponsored programs that target specific groups of health-involved consumers, clinically-active physicians and other healthcare professionals and place these programs on the most relevant areas of *The WebMD Health Network* so that our advertisers and sponsors are able to reach, educate and inform these target audiences. Our advertisers and sponsors consist primarily of pharmaceutical, biotechnology and medical device companies and consumer products companies whose products relate to health, wellness, diet, fitness, lifestyle, safety and illness prevention.

Our private portal applications enable employees and health plan members to make more informed benefit, treatment and provider decisions. We provide a secure, personalized user experience by integrating individual user data (including personal health information), plan-specific data from our employer or health plan clients and much of the content, decision-support technology and personal communication services that we make available through our public portals. These applications are typically accessed through a client's Web site or intranet and provide secure access for employees and plan members. We also provide personalized telephonic health coaching. We market our private portal products through both our direct sales force and through selected distributors. We generate revenue from our private portals primarily through the licensing of our products to employers and health plans, either directly or through our distributors. Our private portals do not display or generate revenue from advertising or sponsorship.

Our public portals and our private portals constitute our WebMD Online Services segment. In addition to our online presence, we have a WebMD Publishing and Other Services segment that provides complementary offline health publications. Our offline publications also increase awareness of our brand among consumers, physicians and other healthcare professionals. These publications include *WebMD the Magazine*, a consumer publication that we distribute

free of charge to physician office waiting rooms and *The WebMD Little Blue Book*, a physician directory. For additional information regarding the results of operations of each of our segments, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations by Operating Segment in Item 7 below and Note 10 to the Consolidated Financial Statements included in this Annual Report.

Table of Contents

Available Information

We make available free of charge at *www.hlth.com* (in the Investor Relations section) copies of materials we file with, or furnish to, the Securities and Exchange Commission, or SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

WHC makes available free of charge at *www.wbmd.com* (in the Investor Relations section) copies of materials it files with, or furnishes to, the SEC as soon as reasonably practicable after it electronically files such materials with, or furnishes them to, the SEC.

Table of Contents**WEBMD ONLINE SERVICES****Our Public Portals: *The WebMD Health Network******Overview***

Our content and services have made our public portals the leading online health information destinations for consumers, physicians and other healthcare professionals. In 2008, *The WebMD Health Network* had an average of approximately 51 million unique users per month and generated approximately 4.7 billion aggregate page views.

Owned Web Sites. During 2008, WebMD-owned sites accounted for approximately 96% of *The WebMD Health Network*'s unique users and approximately 98% of its page views. The following provides a brief description of the WebMD-owned public portals in *The WebMD Health Network*:

Consumer Portal Site	Description
<i>www.webmd.com</i> <i>www.medicinenet.com</i>	<i>WebMD Health</i> , our flagship consumer portal. A health information site for consumers offering content that is written and edited by practicing physicians, including an online medical dictionary with thousands of medical terms.
<i>www.rxlist.com</i>	An online drug directory with over 2,000 drug monographs, which are comprehensive descriptions of pharmaceutical products (including chemical name, brand names, molecular structure, clinical pharmacology, directions and dosage, side effects, drug interactions and precautions).
<i>www.emedicinehealth.com</i>	A health information site for consumers offering articles written and edited by physicians for consumers, including first aid and emergency information that is also accessible at <i>firstaid.webmd.com</i> .
<i>www.medscape.com</i>	<i>Medscape from WebMD</i> , our flagship Web site for physicians and other healthcare professionals.
<i>www.medscapecme.com</i>	The Web site through which Medscape, LLC distributes online CME and CE to physicians and other healthcare professionals.
<i>emedicine.medscape.com</i>	A site for physicians and other healthcare professionals containing articles on over 6,500 diseases and disorders.
<i>www.theheart.org</i>	One of the leading cardiology Web sites, known for its depth and breadth of content in this area.

Other Sites. *The WebMD Health Network* also includes certain third party Web sites that WebMD supports. Those third party sites accounted for approximately 2% of the total page views on *The WebMD Health Network* during 2008. WebMD sells the advertising and program content on the areas of the third party Web sites that WebMD supports.

Consumer Portals

Introduction. Healthcare consumers increasingly seek to educate themselves online about their healthcare related issues, motivated in part by the continued availability of new treatment options and in part by the larger share of healthcare costs they are being asked to bear due to changes in the benefit designs being offered by health plans and employers. The Internet has fundamentally changed the way consumers obtain information, enabling them to have immediate access to searchable information and dynamic interactive content. The Internet is consumers' fastest growing health information resource, according to a national study

Table of Contents

released in August 2008 by the Center for Studying Health System Change. Researchers found that 32 percent of American consumers (approximately 70 million adults) conducted online health searches in 2007, compared with 16 percent in 2001. More than half of those surveyed said the information that they obtained from the Internet had changed their overall approach to maintaining their health, and four in five of those surveyed said the information helped them better understand how to treat an illness or condition.

Overview of Content and Service Offerings. Our goal is to provide consumers with an objective and trusted source of information that helps them play an active role in managing their health. *WebMD Health* and the other consumer portals in *The WebMD Health Network* provide our users with information, tools and applications in a variety of content formats. These content offerings include access to news articles and features, special reports, interactive guides, originally produced videos, self-assessment questionnaires, expert led Q&As and encyclopedic references. Our approximately 90-person in-house staff, which includes professional writers, editors, designers and board-certified physicians, creates content for *The WebMD Health Network*. Our in-house staff is supplemented by medical advisors and authors from widely respected academic and clinical institutions. The news stories and other original content and reporting presented in *The WebMD Health Network* are based on our editors' selections of the most important and relevant public health events occurring on any given day, obtained from an array of credible sources, including peer-reviewed medical journals, medical conferences, federal or state government actions and materials derived from interviews with medical experts. We offer searchable access to the full content of our Web sites, including licensed content and reference-based content.

We regularly make changes to the design of *WebMD Health* and our other consumer portals in order to increase visitor engagement with our content and to make it easier for users to navigate within our sites and find information. We test potential changes in design before they are made in order to determine if such changes are likely to result in, among other things, increased numbers of page views, video streams, slide show views or searches in a visitor session and increased repeat visits by our users.

Key Features of WebMD Health. *WebMD Health* includes the following key features:

Feature	Description
WebMD News Center	Daily health news articles that are written by health journalists and reviewed by our professional staff. Content focuses on news you can use and the article topics reflect national news stories of interest in the popular media that day with original perspective from health and medical experts.
WebMD Editorial Features	Comprehensive content focusing on major health issues that are in the news or otherwise contemporary, with emphasis on health trends and national health issues.
WebMD Daily	Originally produced multi-media content served on our custom video player. WebMD Daily delivers a three to five minute health-related video of real patient stories and expert interviews, among other things, and includes narration, graphics and links to additional content on a given health topic. Sponsors are able to stream commercials and promotional messages within the video feature itself and within the surrounding viewing area.

Table of Contents

Feature	Description
WebMD Health Centers	WebMD Health Centers are centralized locations for content and services for both <i>WebMD Health</i> editorial offerings and sponsor offerings focusing on topics related to health, wellness and lifestyle. Each Health Center features newly organized and medically reviewed information and enables the user to easily locate the top articles, news, community features and health assessments for each topic. We also provide users an alphabetical listing of all Health Centers and other collections of articles, organized by specific health conditions and concerns, known as Health A-Z.
WebMD Health Guides	Anchored within each Health Center, WebMD Health Guides are designed to guide users through the most current symptom, diagnosis, treatment and care information related to a particular health topic. These unique guides were created by our editorial staff of professional health writers in collaboration with our proprietary physician network.
WebMD Videos A-Z	Included in the Health Centers are broadcast-quality health videos featuring real stories and expert interviews.
General Medical Information	Our medical library allows consumers to research current information, some of which we license from third parties, relating to diseases and common health conditions by providing searchable access and easy-to-read content, including: <ul style="list-style-type: none"> self-care articles drug and supplement references from leading publications, including First Data Bank[®] clinical trials and research study information a patient's guide to medical tests interactive, illustrated presentations that visually explain common health conditions and diseases a medical dictionary doctors' views on important health topics.

Decision-Support Services and Other Online Tools. Our decision-support services and other online tools help consumers make better-informed decisions about treatment options, health risks and healthcare providers, and assist consumers in their management and monitoring, on an ongoing basis, of personal health goals, specific conditions and treatment regimens.

Feature	Description
WebMD HealthCheck	Clinical, algorithm-based self assessments for major conditions yielding a personalized risk score based upon

the user's individual characteristics (e.g., gender, age, behavioral risks, heredity), along with customized recommendations for further education, potential treatment alternatives and a summary report to share with the user's physician.

6

Table of Contents

Feature	Description
Symptom Checker	An interactive graphic interface with advanced clinical decision-support rules that allow users to pinpoint potential conditions associated with their physical symptoms, gender and age. The Symptom Checker was created by an experienced group of physicians trained in the development of clinical decision support applications.
Healthy Eating and Diet	An educational channel focusing on diet, food, and fitness, designed to help users attain their goals in personal health, fitness and weight management. The channel includes expert interviews, diet assessment, a personal planner, a food database for nutritional information, as well as calculators, portion help, and a member area for discussion boards, blogs and user support.
First Aid & Emergencies	Directs users to educational and treatment information that may be useful in the event of certain medical emergencies. Also included in this resource is a First Aid A-Z glossary of terms.
Tests & Tools	Provides access to interactive calculators and quizzes to assess or demonstrate health topics, including a target heart rate calculator, body mass index calculator, pregnancy calculator and ovulation calendar.
Slideshows	Our slideshows are designed to educate users on specific conditions and other health topics in an engaging, visually rich format.
Drugs & Treatments	Users can search for information about prescription and over-the-counter medications by brand or generic name, or by condition. We also recently launched <i>Drug Insights</i> , a community product that allows consumers to anonymously review and share their personal experiences with individual prescription products.
WebMD Physician Finder	Enables users to find and make an appointment with a physician based on the physician or practice name, specialty, zip code and distance.
Managing Healthcare & Benefits	Offerings that educate users on issues surrounding choosing and using health plans and managing their healthcare from a financial and quality perspective. Other coverage topics, such as Medicare, are addressed and resources and tools are available to users.
WebMD Health Manager	A free online service featuring a personal health record (a secure application that assists consumers in gathering, storing, and sharing essential health data in one centralized location), secure message center, personal health risk assessments for overall health, condition-specific trackers, medication summaries,

health calendar with reminders and alerts, printable health emergency card, family member health record keeping, weight loss, fitness and smoking cessation programs, and fully personalized e-newsletter.

7

Table of Contents

Mobile Applications. WebMD has launched iPhone mobile versions of WebMD's Symptom Checker, Pill Identifier and First Aid applications. These WebMD applications are among the most downloaded health applications in the iTunes Store.

Membership; Online Communities. We also provide interactive communication services to our registered members. For example, members can opt-in to receive e-newsletters on health-related topics or specific conditions and to access topic-specific events and online communities. Our online communities allow our members to participate in real-time discussions in chat rooms or on message boards, where they can share experiences and exchange information with other members who share common health conditions or concerns.

Feature	Description
Community Centers	Community Centers are designed to allow members to share their experiences and exchange information with other members with similar health conditions or concerns. Community Centers may include blogs, moderated message boards and posted member columns.
e-Newsletters	Our selection of e-Newsletters allows consumers to choose to receive regular updates on topics targeted to their particular health concerns and on general health-related subjects based on their interests.
Expert Blogs	Expert healthcare professionals and non-healthcare professional members alike chronicle their experiences with one another in these online journals.
Ask an Expert	Health and wellness forums within which users can post their health questions and receive support and information from health experts, moderators and other members.

There are no membership fees and no general usage charges for our consumer portals. However, we offer one paid subscription service for consumers: The WebMD Weight Loss Clinic, which provides weight loss programs customized for individual users.

Professional Portals

Introduction. The Internet has become a primary source of information for physicians and other healthcare professionals, and is growing relative to other sources, such as conferences, meetings and offline journals. We believe that our professional portals, which include *Medscape from WebMD*, *MedscapeCME*, *theheart.org*, and *eMedicine*, reach more physicians than any other network of Web sites for healthcare professionals. We believe that we are well positioned to increase usage by existing and new members because we offer physicians and other healthcare professionals a broad range of current clinical information and resources. We expect that *Medscape from WebMD*, *MedscapeCME* and our other professional portals will continue to benefit from the general trend towards increased reliance on, and usage of, the Internet by physicians and other healthcare professionals.

There are no membership fees and no general usage charges for our professional portals. However, users must register to access the content and features of our professional portals. We generate revenue from our professional portals by selling advertising and sponsorship programs primarily to companies that wish to target physicians and other healthcare professionals, and also through educational grants.

Medscape from WebMD. *Medscape from WebMD* (www.medscape.com) enables physicians and other healthcare professionals to stay abreast of the latest clinical information through access to resources that include:

timely medical news relating to a variety of specialty areas and coverage of professional meetings and conferences;

Table of Contents

full-text medical journal articles and drug and medical literature databases; and

video and written commentary from leading medical experts.

Medscape from WebMD's original content includes daily medical news, commentary, conference coverage, and expert columns written by our in-house news team and authors from widely respected academic and clinical institutions and edited and managed by our in-house editorial staff. We regularly produce in-depth interviews with medical experts and newsmakers, and provide alerts on critical clinical issues, including pharmaceutical recalls and product advisories. *Medscape from WebMD* also provides access to wire service stories and other news-related content. *Medscape from WebMD* develops the majority of its content internally and supplements that with third party content in areas such as drug information and full-text journal articles.

Medscape from WebMD is organized by physician specialty and profession, and also includes areas for nurses, pharmacists, medical students, and members interested in medical policy and business of medicine topics. Registration by users enables us to deliver targeted medical content based on such users' registration profiles. The registration process also enables professional members to choose a home page tailored to their medical specialty or interest. *Medscape from WebMD* offers more than 30 specialty areas for its members. *Medscape from WebMD* members receive *MedPulse*[®], a weekly e-mail newsletter, which is published in more than 30 specialty-specific editions and highlights new information on the *Medscape from WebMD* site.

eMedicine Online Medical Reference. eMedicine (emedicine.medscape.com) publishes online medical reference information for physicians and other healthcare professionals. Thousands of attributed physician authors and editors contribute to the eMedicine Clinical Knowledge Base, which contains peer-reviewed articles on over 6,500 diseases and disorders, many of which are illustrated with multimedia files. The evidence-based eMedicine content, updated regularly by the physician authors and editors, provides practice information covering most medical specialties.

theheart.org Cardiology Site. theheart.org (www.theheart.org) is one of the leading cardiology Web sites, known for its depth and breadth of content in this area.

Continuing Medical Education (CME). MedscapeCME (www.medscapecme.com) is the Web site through which our ACCME-accredited CME provider, Medscape, LLC, distributes online CME and CE to physicians and other healthcare professionals. The ACCME (the Accreditation Council for Continuing Medical Education) accredits and oversees providers of CME credit, as described under "Government Regulation, Industry Standards and Related Matters" Regulation and Accreditation of Continuing Medical Education below. Medscape is also accredited as a provider of continuing nursing education by the American Nurses Credentialing Center's Commission on Accreditation and as a provider of continuing pharmacy education by the Accreditation Council for Pharmacy Education.

MedscapeCME offers a wide selection of free, regularly updated online CME and CE activities designed to educate healthcare professionals about important diagnostic and therapeutic issues, including both original CME and CE activities that it develops as well as activities developed by accredited third parties. In 2008, over 5.2 million continuing education activities were completed by physicians and other healthcare professionals on *MedscapeCME*, an increase of approximately 68% over 2007. *MedscapeCME* educational activities are supported by independent educational grants provided by pharmaceutical and medical device companies, as well as foundations and government agencies. The following are some of the types of continuing education activities on *MedscapeCME*:

Conference Coverage. Coverage of major medical conferences.

CME Circle. Third party CME activities, including symposia, monographs and CD-ROMs that *MedscapeCME* distributes online.

CME Live. Original online events featuring live streaming video, audio and synchronized visual presentations by experts on key topics and conditions. These live Webcasts also allow participants to interact with faculty.

CME Cases. Original CME activities presented by healthcare professionals in a patient case format.

Table of Contents

Resource Centers. Grant-based collections of CME-certified content on the diagnosis and treatment of medical conditions.

Online Physician Community. *Physician Connect* is our online community for physicians, which was launched in April 2008, building on our history of online physician interaction. The *Physician Connect* social networking platform allows physicians to exchange information online on a range of topics, including patient care, drug information, healthcare-related legislation and practice management. Physicians can also create polls to elicit tailored, constructive feedback from other physicians. By the end of 2008, *Physician Connect* had attracted more than 100,000 physician members.

e-Detailing. Through WebMD Professional Services, we provide e-detailing services for pharmaceutical, medical device and healthcare companies, including activity development, targeted recruitment and online distribution and delivery. Traditional details are in-person meetings between pharmaceutical company sales representatives and physicians to discuss particular products. E-details are promotional interactive online programs that provide clinical education and information to physicians about medical conditions, treatments and products. We provide our pharmaceutical and medical device customers with a set of online solutions that help increase the sales efficiencies of their own direct detailing efforts. In an effort to improve operating efficiencies, several pharmaceutical companies have recently announced reductions in their field sales forces. We believe that, in their effort to achieve greater overall market efficiency, pharmaceutical companies will increase their use of online promotional marketing, including e-detailing.

Advertising and Sponsorship

We believe that *The WebMD Health Network* offers an efficient means for advertisers and sponsors to reach a large audience of health-involved consumers, clinically-active physicians and other healthcare professionals. *The WebMD Health Network* enables advertisers and sponsors to reach either our entire audience or specific groups of consumers, physicians and other healthcare professionals based on their interests or specialties. Currently, the majority of our advertisers and sponsors are pharmaceutical, biotechnology or medical device firms or consumer products companies. These companies currently spend only a very small portion of their marketing and educational budgets on online media. However, we expect their online spending to increase as a result of increased recognition of its potential advantages over offline marketing and educational activities. *The WebMD Health Network* ran approximately 1,400 branded or sponsored programs for its customers during 2008, approximately 1,000 such programs during 2007, and approximately 800 such programs during 2006.

Our public portals provide advertisers and sponsors with customized marketing campaigns that go beyond traditional Internet advertising media. We work with our advertisers and sponsors to develop marketing programs that are appropriately customized to target specific groups of consumers, physicians or healthcare professionals. Our public portal services are typically priced at an aggregate price that takes into account the overall scope of the services provided, based upon the amount of content, tools and features we supply as well as the degree of customization that we provide for the program. In addition, our contracts often include guarantees with respect to the number of users that visit the client-sponsored area, but do not generally include assurances with respect to the number of clicks or actions taken through such Web sites. To a much lesser extent, we also sell advertising on a CPM (cost per thousand impressions) basis, where an advertiser can purchase a set amount of impressions on a cost per thousand basis. An impression is a single instance of an ad appearing on a Web page. Our private portals do not generate revenue from advertising or sponsorship. See [Our Private Portals: WebMD Health Services](#) below.

We provide healthcare advertisers and other sponsors with the means to communicate with targeted groups of consumers and physicians by offering placements and programs in the most relevant locations on our portals. The

following are some of the types of placements and programs we offer to advertisers and sponsors:

Media Solutions. These are traditional online advertising solutions, such as banners, used to reach health-involved consumers, physicians and other healthcare professionals. In addition, clients can

Table of Contents

sponsor a variety of condition-specific or specialty-specific e-newsletters, keyword searches and educational programs.

Sponsored Editorial Solutions. These are customized collections of articles, topics, and decision-support tools and applications, sponsored by clients and distributed within *WebMD Health*.

E-details. E-details are promotional interactive online programs that provide clinical education and information to physicians about medical conditions, treatments and products.

Key benefits that *The WebMD Health Network* offers healthcare advertisers and other sponsors include:

our display of approximately 4.7 billion pages of healthcare information to users visiting our sites in 2008;

our ability to help advertisers and sponsors reach specific groups of consumers and physicians by specialty, product, disease, condition or wellness topic, which typically produces a more efficient and productive marketing campaign; and

our ability to provide advertisers and other sponsors with objective measures of the effectiveness of their online marketing, such as activity levels within the sponsored content area.

Sales and Marketing

Our sales, marketing and account management personnel work with pharmaceutical, medical device, biotechnology and consumer products companies to place their advertisements and other sponsored products on our public portals and in some of our publications. These individuals work closely with clients and potential clients to develop innovative ways to bring their companies and their products and services to the attention of targeted groups of consumers and healthcare professionals, and to create channels of communication with these audiences.

We have sole discretion for determining the types of advertising that we accept on our Web sites. All advertisements, sponsorships and promotions that appear on our Web sites must comply with our advertising and promotions policies. We do not accept advertising that, in our opinion, is not factually accurate or is not in good taste. Under our sponsorship policies, we take appropriate steps to identify content created by, provided by or influenced by a sponsor, so users of our sites can distinguish it from our editorial content and news reporting.

Our Private Portals: WebMD Health Services

Introduction

According to data made available by The Centers for Medicare & Medicaid Services (CMS) Office of the Actuary in January 2009, healthcare spending in the United States grew 6.1% in 2007, to \$2.2 trillion (or an average of \$7,421 per person), and continued to outpace overall economic growth, which grew by 4.8% in 2007. While the 2007 increase in healthcare spending was not as large as those in some recent years, healthcare spending as a percentage of gross domestic product continued to increase according to the CMS data, from 16.0% to 16.2%. CMS also indicated that private health insurance premiums grew 6.0% in 2007, the same rate as in 2006. In response to increasing healthcare costs, employers and health plans have been:

changing benefit plan designs to increase deductibles, co-payments and other out-of-pocket costs;

enhancing health management and wellness programs and providing incentives for participation in those programs; and

taking other steps to motivate employees and plan members to use healthcare in a cost-effective manner.

In connection with the ongoing effort to shift greater responsibility for healthcare costs to consumers, employers and health plans are making available more health and benefits information and decision-support applications to help their employees and plan members make informed decisions about treatment options,

Table of Contents

health risks and healthcare providers. The goal is to encourage employees and plan members to take a more active role in managing their healthcare by providing relevant information, including data related to healthcare costs and quality promoting transparency. Our WebMD Health and Benefits Managersm provides an integrated health and benefits management platform that helps employers and health plans present actionable information and applications through a convenient, custom private portal. Our online solutions complement the employer's or payer's existing benefit-related services and offline educational efforts.

We generate revenue from our private portals primarily through the licensing of our technology and content to employers and health plans, either directly or through our distributors. Our private portals are not part of *The WebMD Health Network* and do not involve advertising or sponsorship by third parties; and we do not include private portal users or page views when we measure *The WebMD Health Network's* traffic volume.

The WebMD Health and Benefits Manager

We provide our integrated health and benefits management solution suite, known as the Health and Benefits Manager, through private online portals that we host for our employer and health plan clients. Our applications are typically accessed through a client's Web site or intranet and provide secure access for registered members. We provide a personalized user experience by integrating: individual user data (including personal health information); plan-specific data from clients; and WebMD content, decision-support technology and personal communication services. The WebMD Insight Enginesm is the platform we use to integrate third party applications, to consolidate and analyze data from multiple sources, and to drive the delivery of personalized information for each user of the Health and Benefits Manager. The Insight Engine also powers reporting services that help employers and plans identify population health risks, track program utilization, document the impact of health promotion initiatives, and measure results of ongoing campaigns.

Membership for each of our private portals is limited to the employees and members (and their dependants) of the respective employer and health plan clients. Each member must initially register on the private portal provided, at which point a unique user identification name and passcode is assigned. The portal is presented to each employee or health plan member as a personal home page, with direct access to relevant content, tools and other resources specific to the individual's eligibility, coverage and health profile. The Health and Benefits Manager enables registered members to access and manage the individually tailored health and benefits information and decision-support technology in one location, with a common look and feel, and with a single sign-on. The WebMD Health and Benefits Manager includes the following product suites:

The WebMD Health Management Suite gives employees and plan members access to personalized content and tools that empower them to evaluate and manage their healthcare, motivate them to make healthier lifestyle choices, and help them improve their overall health. The Health Management Suite incorporates our WebMD HealthQuotientsm health risk assessment applications, which enable users to assess their overall health risks and to understand their unique risk factors with regard to specific conditions. The results of the health risk assessment are then used, along with the individual's usage patterns, to give each user a personalized experience relevant to his or her specific needs and interests. Users can get consistent reinforcement from lifestyle improvement programs and condition centers, health management content, and targeted health messaging. We complement our Health Management Suite with personalized telephonic health coaching services. Health coaches work one-on-one with employees and plan members to motivate them to improve their own health status by better managing existing health conditions, by pursuing health conscious lifestyles, by actively seeking health and wellness knowledge and by understanding the financial and health impact of lifestyle decisions.

The WebMD Benefits & Financial Suite helps employees and plan members to better understand the financial implications of their benefits options and make more informed benefits-related purchase decisions. Using WebMD Coverage Advisorsm, they can compare costs across available health plan options based on personalized information regarding coverage alternatives, along with cost-modeling and projection utilities. WebMD Health Expense Advisorsm helps individuals manage and track their healthcare expenses, create budgets and analyze the benefits available under their health plan. WebMD

Table of Contents

HSA Advisorsm provides personalized resources to assist in determining appropriate amounts for individuals to contribute to medical savings accounts based on their profile. The Benefits & Financial Suite is integrated with WebMD Health Management Suite applications and content, so users can align their benefits choices with their personal health profile and individual financial circumstances. Cost-modeling and projection tools help users to understand and adopt the right health plan for their situation.

The WebMD Provider & Treatment Suite gives employees and plan members access to information and services that can help them factor quality and cost into decisions about care and treatment options. The Provider & Treatment Suite helps users analyze provider quality, identify appropriate drug and treatment choices, and understand the costs associated with their care. This suite leverages multiple data sources for cost and quality comparisons and provides a personalized, consistent user experience across a full set of integrated tools. The quality comparisons are based on evidence-based measures, such as volume of patients treated for particular illnesses or procedures, mortality rates, unfavorable outcomes for specific problems, and average length of hospital stay. The WebMD Provider Selection Advisorsm included in this Suite allows users to search for healthcare providers (including physicians, hospitals, medical practices, dental providers and others) by name, specialty, location or healthcare need/situation and provides profiles and comparative information on these providers.

The WebMD Health Record Suite helps employees and plan members gather, store, manage and share their essential health data. The Health Record Suite provides a secure personal health record for self-reported and imported health information, and prompts employees and plan members with secure, personalized health alerts describing potential care or medication issues. This suite includes ID-enabled healthcare provider access that encourages communication with providers to reduce errors or duplications and to improve healthcare outcomes.

Whether used independently or as part of an integrated platform, these product suites help employees and health plan members become better-informed health consumers, make better healthcare choices, and feel more satisfied with their benefits choices. We also assist employers and plan members to motivate their employees and members to use the tools and information provided by the Health and Benefits Manager and to implement wellness incentive programs that encourage and reward specific health behaviors. For example, the Insight Engine enables targeted communications campaigns that inform and motivate employees and plan members to change their behaviors and improve health status. Messages can be targeted based on health profile characteristics, demographics, or site usage, and they can be designed to raise awareness of specific programs, motivate a lifestyle change, or increase utilization of health resources.

We believe that our private portals and related services provide the following potential benefits to an employer or health plan:

- reduced benefits administration, communication, and customer service costs;
- more efficient coordination of messaging through the use of integrated member profiles;
- increased employee participation in Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs);
- reduced hospital, physician and drug costs through more informed utilization of the benefit plan;
- increased enrollment in health management programs, including disease management or health coaching;
- increased member satisfaction with the employer and the benefit plan;

increased conformance with benefit plan and clinical protocols;

enhanced health risk stratification that assists employers and health plans in selecting health management programs that are appropriate to the needs of their specific populations; and

reduction in overall health risks and increased employee productivity.

Table of Contents

In addition, we believe that our private portals and related services provide the following potential benefits to employees or plan members:

increased tax savings through increased participation in FSAs and HSAs;

reduced benefit costs through more informed choice of benefit plan options and more informed use of the chosen benefit plan;

improved health outcomes, through more informed choices of providers and treatments; and

improved understanding and management of health conditions through access to support tools and educational information.

Relationships with Customers

Companies utilizing our private portal applications include employers, such as PepsiCo, Inc., International Business Machines Corporation, Metropolitan Life Insurance Company, Verizon Services Corp., Honda of America, The Kroger Co., J.C. Penney Corporation, Inc., Electronic Data Systems Corporation, Medtronic, Inc., EMC Corporation, Walmart Stores, Inc., and Hewlett-Packard Company, and health plans, such as Wellpoint, Inc., Blue Cross Blue Shield of Alabama, HealthNet, ConnecticutCare, Pacific Source Health Plans, Cigna and Horizon Blue Cross and Blue Shield.

A typical contract for a private portal license provides for a multi-year term. The pricing of these contracts is generally based on several factors, including the complexity involved in installing and integrating our private portal platform, the number of our private portal tools and applications licensed, the services being provided, the degree of customization of the services involved and the anticipated number of employees or members covered by such license.

Relationship with Fidelity Human Resources Services Company LLC

In February 2004, we entered into a relationship with Fidelity Human Resources Services Company LLC, or FHRS, a provider of human resources and benefits outsourcing administration services. Pursuant to the agreement, FHRS serves as a distributor of our private portal services, and in connection therewith, FHRS integrates our products with FHRS's products to offer employer customers of FHRS an integrated solution through FHRS's NetBenefits Web site. FHRS's integrated solutions provide employees with employer-provided health plan information and our personal health management tools allow employees to access a personalized view of their healthcare options so that they can make more informed healthcare decisions. In May 2006, we expanded our agreement with FHRS to integrate our online health care cost planning tools with FHRS's 401(k) savings, pension and retirement accounts.

Pursuant to the agreement, we have agreed to cooperate in marketing and selling to clients that are purchasing FHRS's health and welfare benefits outsourcing services. For those clients, the NetBenefits site is marketed as the preferred delivery mechanism for the WebMD private portal applications. However, a client always retains the right to contract directly with us, and we are permitted to provide our services directly to a client if a client so requests. Under our agreement with FHRS, FHRS has retained the right to terminate the distribution of the WebMD private portal tools to an individual client at any time.

The May 2006 amendment also extended the initial term of the agreement to August 31, 2009, and FHRS has the right to renew the agreement for additional terms of one year after the initial term (not to exceed two (2) one-year renewal terms). FHRS has agreed to certain minimum levels of employees to be covered under the agreement. FHRS is an

affiliate of FMR Corp, which reported beneficial ownership of shares representing approximately 5.2% of our Class A Common Stock at December 31, 2008, and approximately 9.9% of HLTH s common stock at December 31, 2008.

Sales and Marketing

We market our private online portals and health coaching services to employers and health plans through a dedicated sales, marketing and account management team and through relationships with employee benefits

Table of Contents

consultants, distributors and other companies that assist employers in purchasing or managing employee benefits, including FHRS. See Relationship with Fidelity Human Resources Services Company LLC above for more information regarding our relationship with FHRS.

Technological Infrastructure

Our Internet-based services are delivered through Web sites designed to address the healthcare information needs of consumers and healthcare professionals with easy-to-use interfaces, search functions and navigation capabilities. We use customized content management and publishing technology to develop, edit, publish, manage, and organize the content for our Web sites. We use ad-serving technology to store, manage and serve online advertisements in a contextually relevant manner to the extent possible. We also use specialized software for delivering personalized content through the WebMD Health and Benefits Manager and, for registered members, through our public Web sites. We have invested and intend to continue to invest in software and systems that allow us to meet the demands of our users and sponsors.

Continued development of our technological infrastructure is critical to our success. Our development teams work closely with marketing and account management employees to create content management capabilities, interactive tools and other applications for use across all of our portals. The goal of our current and planned investments is to further develop our content and technology platform serving various end-users, including consumers and physicians, and to create innovative services that provide value for healthcare advertisers, employers, payers, and other sponsors.

User Privacy and Trust

General. We have adopted internal policies and practices relating to, among other things, content standards and user privacy, designed to foster our relationships with our users. In addition, we participate in the following external, independent verification programs:

URAC. We were awarded e-Health accreditation from URAC, an independent accrediting body that has reviewed and approved the WebMD.com site and our private portal deployment of WebMD Personal Health Manager for compliance with its quality and ethics standards.

TRUSTe. We are a licensee of the TRUSTe Privacy Seal and the TRUSTe EU Safe Harbor programs. TRUSTe is an independent, non-profit organization whose goal is to build users' trust and confidence in the Internet. Each year since 2005, TRUSTe and the Ponemon Institute have sponsored an independently administered user-based ranking of the most trusted companies in America and WebMD has consistently ranked among the most trusted in each of those rankings.

Health on the Net Foundation. Our WebMD.com, eMedicine.com, eMedicineHealth.com, MedicineNet.com and Subimo.com sites and WebMD Personal Health Manager comply with the principles of the HON Code of Conduct established by the Health on the Net Foundation.

Privacy Policies. We understand how important the privacy of personal information is to our users. Our Privacy Policies are posted on our Web sites and inform users regarding the information we collect about them and about their use of our portals and our services. Our Privacy Policies also explain the choices users have about how their personal information is used and how we protect that information.

Content-Sharing and Marketing Relationships

FDA. WebMD is working with the U.S. Food and Drug Administration (or FDA) to expand consumer access to the FDA's timely and reliable important health information. The collaboration includes:

A new online consumer health information resource on WebMD.com (www.webmd.com/fda), through which consumers can access information on the safety of FDA-regulated products, including food, medicine and cosmetics, as well as learn how to report problems involving the safety of these products directly to the FDA. In addition, WebMD will provide FDA public health alerts to all WebMD registered users and site visitors that request them. The cross-linked joint resource also features the

Table of Contents

FDA's Consumer Updates timely and easy-to-read articles that are also posted on the FDA's main consumer Web page (www.fda.gov/consumer).

FDA Consumer Updates will also be featured at least three times a year in *WebMD the Magazine*.

GNC. WebMD has entered into a marketing relationship with General Nutrition Corporation (GNC), a specialty retailer of nutritional products, to increase consumer awareness and understanding of the importance of vitamins and supplements to improve overall health and wellness. As part of the relationship, a new Live Well Topic Center is being hosted on GNC.com and on WebMD.com, giving users access to WebMD content on health and wellness. GNC is being featured in targeted areas on *The WebMD Health Network* where consumers go most often for information on personal health, diet and nutrition and an interactive, personal health assessment is available to help consumers establish their health goals and identify nutritional supplements that would be beneficial for them. In addition, consumer education and product information is being distributed across GNC's U.S. retail locations.

Yahoo! In November 2007, WebMD entered into a four year Service Agreement with a wholly owned subsidiary of Yahoo! Inc., a global Internet company, pursuant to which we have agreed to exclusively use Yahoo!'s sponsored search results product (which delivers paid advertisements in search results) across WebMD's network of consumer sites. WebMD has also agreed to exclusively use Yahoo!'s algorithmic Web search product. Under this agreement, WebMD shares revenues with Yahoo! based upon the amounts received by Yahoo! from advertisers for sponsored search results that appear on *The WebMD Health Network*, subject to certain minimum payment guarantees. At the same time, WebMD also entered into a four year Distribution Agreement with Yahoo! pursuant to which WebMD sells advertisements to third parties for display on Yahoo! owned and operated Web sites and certain third-party Web sites (which we refer to as the Yahoo! Properties). WebMD's rights to sell such inventory are exclusive against certain other online health publishers. The Distribution Agreement includes mutual restrictions on the use of end-user data of a party received by the other party. Under the Distribution Agreement, WebMD pays Yahoo! a specified percentage of advertising revenues for advertisements that we sell and display on the Yahoo! Properties. During the term of the Distribution Agreement, if WebMD does not achieve certain minimums, Yahoo! may elect to terminate the exclusivity provisions.

International Relationships. We see a significant opportunity for international growth of our public portal services. Generally, we expect that we would accomplish this through alliances or joint ventures with other companies having expertise in the specific country or region. During the third quarter of 2007, we announced our first such relationship, an alliance with the leading provider of online pharmaceutical and medical information in Latin America, Spain and Portugal, pursuant to which we are delivering *Medscape from WebMD*'s clinical information to these markets. We continue to evaluate opportunities for further international growth.

Other Relationships. WebMD has an editorial partnership with Hearst Communications, a leading publisher of consumer health, wellness and lifestyle magazines, who provides WebMD with branded content. In addition, WebMD provides its branded content to the CBS Evening News, CBS Early Show, and CBSNews.com.

WEBMD PUBLISHING AND OTHER SERVICES

WebMD the Magazine. *WebMD the Magazine*, which WebMD launched in 2005, is a full size, consumer publication delivered free of charge to physicians' offices in the United States. *WebMD the Magazine* reaches consumers right before they meet with their physicians. This allows sponsors to extend their advertising reach and to deliver their message when consumers are actively engaged in the healthcare process, and allows us to extend the WebMD brand into offline channels. The editorial format of *WebMD the Magazine* is specifically designed for the physician's waiting room. Its editorial features and highly interactive format of assessments, quizzes and questions are designed to inform consumers about important health and wellness topics. The editorial content in the magazine is medically reviewed

and approved by WebMD staff physicians.

Table of Contents

We market *WebMD the Magazine* through a team comprised of in-house sales persons and third party marketers.

The WebMD Little Blue Book. *The WebMD Little Blue Book* is a physician directory published annually in over 140 distinct geographic editions, and contains practice information on an aggregate of more than 400,000 physicians. Physicians utilize *The WebMD Little Blue Book* for local and up-to-date physician, pharmacy and hospital contact information. Physicians are listed free of charge in their local area edition, along with their specialties, HMO affiliations, office addresses and telephone numbers. We also use the information used to produce *The WebMD Little Blue Book* to generate both online and offline directory and information products.

We market *The WebMD Little Blue Book* directly through an in-house sales team.

POREX

Introduction

Porex develops, manufactures and distributes proprietary porous plastic products and components used in healthcare, industrial and consumer applications. Porex's products also include porous structures using other materials, such as fiber and membranes. Porex's customers include both end-users of its finished products as well as manufacturers that include our components in their products, which we refer to as original equipment manufacturers or OEMs.

Porex is an international business with manufacturing operations in North America, Europe and Asia. Porex's global sales and customer service network markets its products to customers in more than 75 countries. In 2008, Porex derived approximately 46.3% of its revenues from the United States, approximately 39.3% from Europe, approximately 9.0% from Asia and approximately 5.4% from Canada and Latin America. In 2007, Porex derived approximately 50.4% of its revenues from the United States, approximately 31.9% from Europe, approximately 13.0% from Asia and approximately 4.8% from Canada and Latin America.

In February 2008, we announced our intention to divest Porex and, as a result, we have reflected our Porex segment as a discontinued operation in the Consolidated Financial Statements contained in this Annual Report. For additional information, see Note 3 to those Consolidated Financial Statements.

Porex Products

Porous Plastics. Porous plastics are permeable plastic structures having omni-directional (porous in all directions) inter-connecting pores to permit the flow of fluids and gases. These pores, depending upon the number and size, control the flow of liquids and gases. Porex manufactures porous plastics with pore sizes between approximately 1 and 500 micrometers. One micrometer is equal to one-millionth of a meter; an object of 40 micrometers in size is about as small as can be discerned by the naked eye. Our ability to control pore size provides the opportunity to serve numerous applications, including:

Filtering. In filtration applications, the pore structure acts as both a surface filter and a depth filter. The structure acts as a surface filter by trapping particles larger than its average pore size and as a depth filter by trapping much smaller particles deep in its complex channels. Examples of filtering applications for porous plastics include: filters for drinking water purification, air filters, fuel filters for power tools and appliances and other liquid filters for clarification of drugs, blood separation and chemicals.

Venting. In venting applications, the pore structure allows gases to easily escape while retaining fluids. Examples of these applications include: vents for medical devices, printers and automotive batteries; and caps and closures.

Wicking. When used as a wicking device, the pore structure creates capillary channels for liquid transfer allowing fluid to flow, or wick, from a reservoir. Examples of these applications include: nibs

Table of Contents

or tips for writing instruments, such as highlighters and coloring markers; fluid delivery components for printers and copiers; fragrance wicks; and absorbent media for diagnostic testing.

Diffusing. When used in diffusion applications, porous plastic components emit a multitude of small, evenly distributed bubbles. Examples of these applications include air diffusers for fermentation, metal finishing and plating.

Muffling. In muffling applications, exhaust air is channeled through a tortuous path, causing significant sound reduction by breaking up and diffusing the sound waves. Examples of these applications include industrial mufflers for pneumatic equipment.

Porex combines its expertise in materials science and product development with proprietary manufacturing capabilities, including in-house design and construction of manufacturing equipment. Porex produces porous plastic components and products in its own manufacturing facilities, which are equipped to manufacture products in sheets, tubes, rods and custom-molded shapes, depending on customer needs.

Markets for Porex Products. Porex's products are used in healthcare, consumer and industrial applications, including the following:

Healthcare Products. Porex manufactures a variety of porous plastic components for the healthcare industry that are incorporated into the products of other manufacturers. These components are used to vent or diffuse gases or fluids and are used as membrane supports, including catheter vents, self-sealing valves in surgical vacuum canisters, fluid filtration components and components for diagnostic devices. Porex also manufactures components for diagnostic devices sold over the counter for home use. Porex also makes porous plastic components that are used as barrier materials for several laboratory products, including pipette tip filters. Porex also manufactures blood serum filters as a finished medical device for use in laboratory applications.

Surgical Products. Porex also uses proprietary porous plastic technology to produce implantable products for use in reconstructive and aesthetic surgery of the head and face. These implants are designed to integrate with the patient's underlying bone structure. Their porous structure allows in-growth of the patient's tissue and capillary blood vessels. Porex's implants are designed for use in areas throughout the skull and face, including cranial, ear, cheek, jaw, chin, nasal shape and ocular implants. Porex offers its implant products in standard shapes and sizes and also provides customized implants to fit individual patient specifications. Porex has also begun to manufacture and sell implants made from a combination of porous plastic and medical-grade titanium mesh. Porex also produces two product lines for the operating room supplies market: surgical markers and surgical drainage systems.

Consumer Products. Porex's porous plastics are used in a variety of office and home products. These products include writing instrument tips, or nibs, which Porex supplies to manufacturers of highlighting pens and children's coloring markers. The porous nib conducts the ink stored in the pen barrel to the writing surface by capillary action. Porex's porous plastic components are also found in products such as air fresheners, power tool dust canisters and computer printers. Porex also produces a variety of porous plastic water filters used to improve the taste and safety of drinking water.

Industrial Products. Porex manufactures a variety of custom porous plastic components for industrial applications, designed to customer specifications as to size, rigidity, porosity and other needs, including automobile battery vents and various types of filters and filtration components. Filtration applications include water and wastewater, paints, inks, polishing slurries, catalyst recovery and metal finishing. Advanced filtration solutions are becoming more important to numerous industries as they actively seek to lower costs

and gain efficiencies by reducing waste and conserving resources.

The use of porous plastics can provide advantages over other available materials in specific applications because porous plastics:

are easily moldable in various shapes;

allow for precise control of pore size;

Table of Contents

are sterilizable;

can be designed for chemical and corrosion resistance; and

can provide for easy cleaning and maintenance.

In addition, porous plastics are often stronger and more durable than other available alternatives. However, in some applications that Porex addresses for customers, fiber and other porous membranes are preferred over porous plastic materials. For example, Porex uses fiber technology for certain applications requiring high flow rates. Based on the same principles used in making Porex's porous plastic products, fibers are thermally bonded into a matrix. This fiber material is well-suited for use in filtration and wicking applications, including Porex's products for the consumer fragrance market. Porex also uses sub-micron porous polytetrafluoroethylene, or PTFE, membranes to serve product markets where other porous plastics do not have the physical properties to meet application demands. PTFE material is commonly known as Teflon®.

Raw Materials

The principal raw materials used by Porex include a variety of plastic resins that are generally available from a number of suppliers. Many of Porex's products also require high-grade plastic resins with specific properties as raw materials. While Porex has not experienced any material difficulty in obtaining adequate supplies of high-grade plastic resins that meet its requirements, it relies on a limited number of sources for some of these plastic resins. If Porex experiences a reduction or interruption in supply from these sources, it may not be able to access alternative sources of supply within a reasonable period of time or at commercially reasonable rates, which could have a material adverse effect on its business and financial results.

Marketing

Sales and marketing of Porex's products are conducted by a sales and marketing team of professionals with in-depth knowledge of Porex's technologies. Marketing activities include advertising in various trade publications and directories and participating in tradeshows. Sales to OEM customers in the United States of our porous plastic products are made directly by Porex's sales and marketing team. Internationally, these products are sold by Porex's sales and marketing team and through independent distributors and agents.

Porex sells its implant products directly to medical centers, trauma centers, hospitals and private practice surgeons using independent and direct sales representatives. Internationally, these products are sold in over 53 countries through local distributors. Porex provides training, materials and other support to the sales representatives and distributors. Market awareness is primarily achieved through exhibitions in conjunction with medical specialty meetings, presentations by surgeons at medical meetings, journal publication of clinical papers, group sponsored visiting speaker programs and direct mail programs. Journal advertising is placed on a selected basis and we maintain an active database of contacts for targeted direct mail programs.

COMPETITION

Introduction

The markets we participate in are intensely competitive, continually evolving and may, in some cases, be subject to rapid change. Some of our competitors have greater financial, technical, marketing and other resources than we do and some are better known than we are. We cannot provide assurance that we will be able to compete successfully against

these organizations. We also compete, in some cases, with joint ventures or other alliances formed by two or more of our competitors or by our competitors with other third parties.

Table of Contents

WebMD

Public Portals

Our public portals face competition from numerous other companies, both in attracting users and in generating revenue from advertisers and sponsors. We compete with online services and Web sites that provide health-related information, including both commercial sites and not-for-profit sites. These competitors include:

general purpose consumer Web sites that offer specialized health sub-channels, including yahoo.com, msn.com and AOL.com; and

other high traffic Web sites that include healthcare-related and non-healthcare-related content and services.

Our competitors also include search engines that offer specialized search within the area of health information, including google.com, yahoo.com and msn.com, as well as advertising networks that aggregate traffic from multiple Web sites, including ad.com, bluelithium.com and everydayhealth.com. Other competitors for advertising and sponsorship revenue include:

publishers and distributors of traditional offline media, including television and magazines targeted to consumers, as well as print journals and other specialized media targeted to healthcare professionals, many of which have established or may establish their own Web sites or partner with other Web sites;

offline medical conferences, CME programs and symposia;

vendors of e-detailing services and our clients' own in-house detailing efforts; and

vendors of healthcare information, products and services distributed through other means, including direct sales, mail and fax messaging.

Competitors for the attention of healthcare professionals and consumers also include:

the competitors for advertisers and sponsors described above; and

public sector, non-profit and other Web sites that provide healthcare information without advertising or sponsorships from third parties, such as NIH.gov, CDC.gov and AHA.org.

Since there are no substantial barriers to entry into the markets in which our public portals participate, we expect that additional competitors will continue to enter these markets.

Private Portals

Our private portal services compete, directly or indirectly, with various types of services provided by many different types of companies, including:

wellness and disease management vendors, including Mayo Foundation for Medical Education and Research, StayWell Productions/MediMedia USA, Inc., Healthways, Health Dialog, and Alere (a division of Inverness Medical Innovations);

suppliers of online and offline electronic personal health records and related applications and platforms, including Medem, CapMed, Epic Systems, Microsoft, Google and a variety of other companies;

suppliers of other online and offline health management applications, including HealthMedia, Health A-Z, which is owned by United Healthcare, A.D.A.M. Inc., and Consumer Health Interactive;

health information services and health management offerings of health plans and their affiliates, including those of Humana, Aetna and United Healthcare; and

other providers of health and benefits decision-support tools.

Table of Contents

Offline Publications

Our offline publications compete with numerous other online and offline sources of healthcare information, including the online ones described earlier in this section. In addition, *WebMD the Magazine* competes with other offline health-focused magazines for consumers and *The WebMD Little Blue Book* competes with other offline physician-office media.

Porex

Porex operates in highly competitive markets and its products are, in general, used in applications that are affected by technological change and product obsolescence. The competitors for Porex's porous plastic products include other producers of porous plastic materials as well as companies that manufacture and sell products made from materials other than porous plastics that can be used for the same purposes as Porex's products. For example, Porex's porous plastic pen nibs compete with felt and fiber tips manufactured by a variety of suppliers worldwide. Other Porex porous plastic products compete, depending on the application, with membrane material, porous metals, metal screens, fiberglass tubes, pleated paper, resin-impregnated felt, ceramics and other substances and devices. Porex's competitors include, among others, the Filtrona Fibertec division of Filtrona plc, Genpore (a division of General Polymeric Corporation), Micropore Plastics, Inc., Millipore Corporation, Pall Corporation, Porvair plc and Whatman plc. Porex also competes with in-house design and manufacturing capabilities of its OEM customers.

Porex's implantable products compete for surgical use against autogenous and allograft materials and other alloplastic biomaterials. Porex's surgical drains and markers compete against a variety of products from several manufacturers.

Some of Porex's competitors may have greater financial, technical, product development, marketing and other resources than Porex does. In addition, some of Porex's competitors may have their manufacturing facilities located in, or may move them to, countries where manufacturing costs, including but not limited to labor and utility costs, are lower than those in the countries where Porex's facilities are located or may have other cost advantages not available to Porex. We cannot provide assurance that Porex will be able to compete successfully against these companies or against particular products and services they provide or may provide in the future.

GOVERNMENT REGULATION, INDUSTRY STANDARDS AND RELATED MATTERS

Introduction

This section of the Annual Report contains a description of laws and regulations applicable to us, either directly or through their effect on our healthcare industry customers, as well as healthcare and Internet industry standards that serve a self-regulatory function, and related matters. Existing and future laws, regulations and industry standards affecting the healthcare, information technology and Internet industries could create unexpected liabilities for us, cause us to incur additional costs and restrict our operations. Many of the laws that affect us, and particularly those applying to healthcare, are very complex and may be subject to varying interpretations by courts and other governmental authorities. We cannot provide assurance that we will be able to accurately anticipate the application of laws, regulations and industry standards to our operations.

Most of WebMD's revenue and a significant portion of Porex's revenue flows either directly from the healthcare industry or from other sources that could be affected by changes affecting healthcare spending. The healthcare industry is highly regulated and is subject to changing political, regulatory and other influences. These factors affect the purchasing practices and operations of healthcare organizations as well as the behavior and attitudes of consumers. Federal and state legislatures and agencies periodically consider programs to reform or revise aspects of the United

States healthcare system. These programs may contain proposals to increase governmental involvement in healthcare, change reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Healthcare industry participants may respond by reducing their expenditures or postponing expenditure decisions, including expenditures for our products

Table of Contents

and services. We are unable to predict future proposals with any certainty or to predict the effect they could have on our businesses.

Many healthcare laws are complex, and their application to specific products and services may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the healthcare information services that we provide. However, these laws and regulations may nonetheless be applied to our products and services. Our failure to accurately anticipate the application of these laws and regulations to our businesses, or other failure to comply, could create liability for us, result in adverse publicity and negatively affect our businesses.

This section of the Annual Report also contains a description of other laws and regulations, including general consumer protection laws and Internet-related laws that affect some of WebMD's businesses. Laws and regulations have been adopted, and may be adopted in the future, that address Internet-related issues, including online content, privacy, online marketing, unsolicited commercial email, taxation, pricing, and quality of products and services. Some of these laws and regulations, particularly those that relate specifically to the Internet, were adopted relatively recently, and their scope and application may still be subject to uncertainties. Interpretations of these laws, as well as any new or revised law or regulation, could decrease demand for our services, increase our cost of doing business, or otherwise cause our business to suffer.

WebMD

Regulation of Drug and Medical Device Advertising and Promotion

The Food and Drug Administration, or FDA, and the Federal Trade Commission, or FTC, regulate the form, content and dissemination of labeling, advertising and promotional materials prepared by, or for, pharmaceutical or medical device companies, including direct-to-consumer (or DTC) prescription drug and medical device advertising. The FTC regulates over-the-counter drug advertising and, in some cases, medical device advertising. Generally, based on FDA requirements, regulated companies must limit advertising and promotional materials to discussions of FDA-approved uses and claims. In limited circumstances, regulated companies may disseminate certain non-promotional scientific information regarding product uses or claims not yet approved by the FDA.

Information on our Web sites that promotes the use of pharmaceutical products or medical devices is subject to the full array of FDA and FTC requirements and enforcement actions and information regarding other products and services is subject to FTC requirements. If the FDA or the FTC finds that any information on our Web site violates FDA or FTC regulations or guidance, they may take regulatory or judicial action against us or the advertiser or sponsor of that information. State attorneys general may also take similar action based on their state's consumer protection statutes. Areas of our Web sites that could be the primary focus of regulators include pages and programs that discuss use of an FDA-regulated product or that the regulators believe may lack editorial independence from the influence of sponsoring pharmaceutical or medical device companies. Our television broadcast advertisements may also be subject to FTC and FDA regulation, depending on the content. The FDA and the FTC place the principal burden of compliance with advertising and promotional regulations on advertisers and sponsors to make truthful, substantiated claims.

The Federal Food, Drug, and Cosmetic Act, or FDC Act, requires that prescription drugs (including biological products) be approved by the FDA prior to marketing. It is a violation of the FDC Act and of FDA regulations to market, advertise or otherwise commercialize such products prior to approval. The FDA allows for preapproval exchange of scientific information, provided it is nonpromotional in nature and does not draw conclusions regarding the ultimate safety or effectiveness of the unapproved drug. Upon approval, the FDA's regulatory authority extends to the labeling and advertising of prescription drugs offered in interstate commerce. Such products may be promoted and advertised only for uses reviewed and approved by the FDA. In addition, the labeling and advertising can be neither

false nor misleading, and must present all material information, including risk information, in a clear, conspicuous and neutral manner. There are also requirements for certain information (the prescribing information or package insert for promotional

Table of Contents

labeling and the brief summary for advertising) to be part of labeling and advertising. Labeling and advertising that violate these legal standards are subject to FDA enforcement action.

The FDA also regulates the safety, effectiveness, and labeling of over-the-counter (OTC) drugs under the FDC Act either through specific product approvals or through regulations that define approved claims for specific categories of such products. The FTC regulates the advertising of OTC drugs under the section of the Federal Trade Commission Act that prohibits unfair or deceptive trade practices. The FDA and FTC regulatory framework requires that OTC drugs be formulated and labeled in accordance with FDA approvals or regulations and promoted in a manner that is truthful, adequately substantiated, and consistent with the labeled uses. OTC drugs that do not meet these requirements are subject to FDA or FTC enforcement action depending on the nature of the violation. In addition, state attorneys general may bring enforcement actions for alleged unfair or deceptive advertising.

There are several administrative, civil and criminal sanctions available to the FDA for violations of the FDC Act or FDA regulations as they relate to labeling and advertising. Administrative sanctions may include a written request that violative advertising or promotion cease and/or that corrective action be taken, such as requiring a company to provide to healthcare providers and/or consumers information to correct misinformation previously conveyed. In addition, the FDA may use publicity, such as press releases, to warn the public about false and misleading information concerning a drug or medical device product. More serious civil sanctions include seizures, injunctions, fines and consent decrees. Such measures could prevent a company from introducing or maintaining its product in the marketplace. Criminal penalties for severe violations can result in a prison term and/or substantial fines. State attorneys general have similar investigative tools and sanctions available to them.

Any increase in FDA regulation of the Internet or other media used for DTC advertisements of prescription drugs could make it more difficult for us to obtain advertising and sponsorship revenue. In the last 15 years, the FDA has gradually relaxed its formerly restrictive policies on DTC advertising of prescription drugs. Companies may now advertise prescription drugs to consumers in any medium, provided that they satisfy FDA requirements. However, legislators, physician groups and others have criticized the FDA's current policies, and have called for restrictions on advertising of prescription drugs to consumers and increased FDA enforcement. These critics point both to public health concerns and to the laws of many other countries that make DTC advertising of prescription drugs a criminal offense. Congress and the FDA have shown interest in these issues as well and there is a possibility that Congress, the FDA or the FTC may alter present policies on DTC advertising of prescription drugs or medical devices in a material way. We cannot predict what effect any such changes would have on our business.

Industry trade groups, such as the Pharmaceuticals Research and Manufacturers of America (PhRMA), have implemented voluntary guidelines for DTC advertising in response to public concerns. The PhRMA Guiding Principles for Direct to Consumer Advertisement of Prescription Medicines (referred to as the PhRMA Guidelines), which originally went into effect in January 2006, have recently been revised with an effective date of March 2, 2009. The PhRMA Guidelines address various aspects of DTC, including: balancing presentation of benefits and risks; timing of DTC campaigns, including allowing for a period for education of healthcare professionals prior to launching a branded DTC campaign; use of healthcare professionals and celebrities in DTC advertisements; and timing and placement of advertisements with adult-oriented content. PhRMA has also implemented a voluntary Code On Interactions With Health Care Professionals, adopted in 2009, with an effective date of January 1, 2009 (which we refer to as the PhRMA Code), that revised a predecessor Code from 2002. The new PhRMA Code, among other things: prohibits distribution of non-educational items (such as pens, mugs and other reminder objects typically adorned with a company or product logo) to healthcare providers and their staff; and prohibits company sales representatives from providing restaurant meals to healthcare professionals, but allows them to provide occasional meals in healthcare professionals' offices in conjunction with informational presentations. The new PhRMA Code also reaffirms and strengthens statements in its predecessor that companies should not provide any entertainment or recreational benefits to healthcare professionals.

Table of Contents**Regulation and Accreditation of Continuing Medical Education**

Activities and information provided in the context of an independent medical or scientific educational program, often referred to as continuing medical education or CME, usually are treated as non-promotional and fall outside the FDA's jurisdiction. The FDA does, however, evaluate CME activities to determine whether they are independent of the promotional influence of the activities' supporters. To determine whether a CME provider's activities are sufficiently independent, the FDA looks at a number of factors related to the planning, content, speakers and audience selection of such activities. To the extent that the FDA concludes that such activities are not independent, such content must fully comply with the FDA's requirements and restrictions regarding promotional activities.

Medscape, LLC distributes online CME to physicians and other healthcare professionals and is accredited by the Accreditation Council for Continuing Medical Education (ACCME), which oversees providers of CME credit. *MedscapeCME* (www.medscapecme.com) is the Web site through which Medscape, LLC distributes online CME. If any CME activity that Medscape, LLC provides is considered promotional, Medscape, LLC may face regulatory action or the loss of accreditation by the ACCME. Supporters of CME activities may also face regulatory action, potentially leading to termination of support.

Medscape, LLC's current ACCME accreditation expires at the end of July 2010. In order for Medscape, LLC to renew its accreditation, it will be required to demonstrate to the ACCME that it continues to meet ACCME requirements. If Medscape, LLC fails to maintain its status as an accredited ACCME provider (whether at the time of such renewal or at an earlier time as a result of a failure to comply with existing or additional ACCME standards), Medscape, LLC would not be permitted to accredit CME activities for physicians and other healthcare professionals. Instead, Medscape, LLC would be required to use third parties to provide such CME-related services. That, in turn, could discourage potential supporters from engaging Medscape, LLC to develop CME or education related activities, which could have a material adverse effect on our business.

Medscape, LLC's CME activities are planned and implemented in accordance with the Essential Areas and Policies of the ACCME and other applicable accreditation standards. ACCME's standards for commercial support of CME are intended to ensure, among other things, that CME activities of ACCME-accredited providers, such as Medscape, LLC, are independent of commercial interests, which are now defined as entities that produce, market, re-sell or distribute health care goods and services, excluding certain organizations. Commercial interests, and entities owned or controlled by commercial interests, are ineligible for accreditation by the ACCME. The standards also provide that accredited CME providers may not place their CME content on Web sites owned or controlled by a commercial interest. In addition, accredited CME providers may not ask commercial interests for speaker or topic suggestions, and are also prohibited from asking commercial interests to review CME content prior to delivery.

From time to time, the ACCME revises its standards for commercial support of CME. As a result of certain past ACCME revisions, we adjusted our corporate structure and made changes to our management and operations intended to allow Medscape, LLC to provide CME activities that are developed independently from those programs developed by its sister companies, which may not be independent of commercial interests. We believe that these changes allow Medscape, LLC to satisfy the applicable standards.

In June 2008, the ACCME published for comment several proposals, including the following:

Potential New Paradigm for Commercial Support: The ACCME stated that due consideration should be given to eliminating commercial support of CME. To frame the debate, the ACCME proposed several possible scenarios: (a) maintaining the current system of commercial support; (b) completely eliminating commercial support; (c) a new paradigm that provides for commercial support if the following conditions are met: (1) educational needs are identified and verified by organizations that do not receive commercial support and

are free of financial relationships with industry; (2) the CME addresses a professional practice gap of a particular group of learners that is corroborated by bona fide performance measurements of the learners' own practice; (3) the CME content is from a continuing education curriculum specified by a bona fide organization or entity; and (4) the CME is verified as

Table of Contents

free of commercial bias; and (d) an alternative new paradigm in which the four conditions described above would provide a basis for a mechanism to distribute commercial support derived from industry-donated, pooled funds.

Defining Appropriate Interactions between ACCME Accredited Providers and Commercial Supporters. The ACCME has proposed that: (a) accredited providers must not receive communications from commercial interests announcing or prescribing any specific content that would be a preferred, or sought-after, topic for commercially supported CME (e.g., therapeutic area, product-line, patho-physiology); and (b) receiving communications from commercial interests regarding a commercial interest's internal criteria for providing commercial support would also not be permissible.

The comment period for these proposals ended on September 12, 2008. The comments submitted to the ACCME indicated significant backing from the medical profession for commercially-supported CME and, accordingly, we believe that it is unlikely that a proposal for complete elimination of such support would be adopted. However, we cannot predict the ultimate outcome of the process, including what other alternatives may be considered by ACCME as a result of comments it has received. The elimination of, or restrictions on, commercial support for CME could adversely affect the volume of sponsored online CME programs implemented through our Web sites.

During the past several years, educational activities, including CME, directed at physicians have been subject to increased governmental scrutiny to ensure that sponsors do not influence or control the content of the activities. For example, the U.S. Senate Finance Committee conducted an investigation of the sponsorship of CME activities, including an examination of the ACCME's role in ensuring that CME activities are independent from the influence of their supporters. In response, pharmaceutical companies and medical device companies have developed and implemented internal controls and procedures that promote adherence to applicable regulations and requirements. In implementing these controls and procedures, supporters of CME may interpret the regulations and requirements differently and may implement varying procedures or requirements. These controls and procedures:

may discourage pharmaceutical companies from providing grants for independent educational activities;

may slow their internal approval for such grants;

may reduce the volume of sponsored educational programs that Medscape LLC produces to levels that are lower than in the past, thereby reducing revenue; and

may require Medscape LLC to make changes to how it offers or provides educational programs, including CME.

In addition, future changes to laws, regulations or accreditation standards, or to the internal compliance programs of supporters or potential supporters, may further discourage, significantly limit, or prohibit supporters or potential supporters from engaging in educational activities with Medscape LLC, or may require Medscape LLC to make further changes in the way it offers or provides educational activities.

HIPAA Privacy Standards and Security Standards

The Privacy Standards and Security Standards under the Health Insurance Portability and Accountability Act of 1996 (or HIPAA) establish a set of national privacy and security standards for the protection of individually identifiable health information by health plans, healthcare clearinghouses and healthcare providers (sometimes referred to as covered entities for purposes of HIPAA). The Privacy Standards and Security Standards do not currently apply directly to our businesses. However, the American Recovery and Reinvestment Act of 2009 (ARRA) enhances and

strengthens the HIPAA Privacy and Security Standards and makes certain provisions applicable to those portions of our business, such as those managing employee or plan member health information for employers or health plans, that are business associates of covered entities. Currently, we are bound by certain contracts and agreements with covered entities that require us to use and disclose protected health information in a manner consistent with the Privacy Standards and Security Standards in providing services to those covered entities. Beginning on February 17, 2010, some provisions of

Table of Contents

the HIPAA Privacy and Security rules will apply directly to us. In addition, ARRA imposes data breach notification requirements on vendors of Personal Health Records that will require us to notify affected individuals and the Federal Trade Commission in the event of a data breach involving the unsecured personal information of our users. These new Privacy and Security provisions will require us to incur additional costs and may restrict our business operations. In addition, these new provisions will result in additional regulations and guidance issued by HHS and will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our customers and strategic partners.

Currently, only covered entities are directly subject to potential civil and criminal liability under the Privacy Standards and Security Standards. However, depending on the facts and circumstances, we could be subject to criminal liability for aiding and abetting or conspiring with a covered entity to violate those Standards. As of February 17, 2010, we will be directly subject to HIPAA's criminal and civil penalties.

Other Restrictions Regarding Confidentiality, Privacy and Security of Health Information

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to, confidentiality and security of patient health and prescriber information. In addition, Congress and some states are considering new laws and regulations that further protect the privacy and security of medical records or medical information. In many cases, these state laws are not preempted by the HIPAA Standards and may be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our customers and strategic partners.

These laws at a state or federal level, or new interpretations of these laws, could create liability for us, could impose additional operational requirements on our business, could affect the manner in which we use and transmit patient information and could increase our cost of doing business. Claims of violations of privacy rights or contractual breaches, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Consumer Protection Regulation

General. Advertising and promotional activities presented to visitors on our Web sites are subject to federal and state consumer protection laws that regulate unfair and deceptive practices. We are also subject to various other federal and state consumer protection laws, including the specific ones described later in this section.

The FTC and many state attorneys general are applying federal and state consumer protection laws to require that the online collection, use and dissemination of data, and the presentation of Web site content, comply with certain standards for notice, choice, security and access. Courts may also adopt these developing standards. In many cases, the specific limitations imposed by these standards are subject to interpretation by courts and other governmental authorities. We believe that we are in compliance with the consumer protection standards that apply to our Web sites, but a determination by a state or federal agency or court that any of our practices do not meet these standards could result in liability and adversely affect our business. New interpretations of these standards could also require us to incur additional costs and restrict our business operations. In addition, claims that we are violating any such standards could, even if we are not found liable, be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

In February 2009 the FTC published Self Regulatory Principles for Online Behavioral Advertising to address consumer privacy issues that may arise from so-called behavioral advertising (i.e., the tracking of online activities) and to encourage industry self-regulation. These principles serve as guidelines to industry. In addition, there is the possibility of proposed legislation, as well as of enforcement activities, relating to behavioral advertising. To the

extent that our existing practices are inconsistent with the final principles, with proposed legislation and/or with future enforcement activities, our business may become subject to restrictions that could reduce our revenues or increase our cost of doing business.

Table of Contents

Data Protection Regulation. With the recent increase in publicity regarding data breaches resulting in improper dissemination of consumer information, many states have passed laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected customers. Generally, these laws are limited to electronic data and make some exemptions for smaller breaches. Congress has also been considering similar federal legislation relating to data breaches. The FTC has also prosecuted some data breach cases as unfair and/or deceptive acts or practices under the FTC Act. We intend to continue to comprehensively protect all consumer data and to comply with all applicable laws regarding the protection of this data.

CAN-SPAM Act. On January 1, 2004, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, became effective. The CAN-SPAM Act regulates commercial emails, provides a right on the part of the recipient to request the sender to stop sending messages, and establishes penalties for the sending of email messages that are intended to deceive the recipient as to source or content. Under the CAN-SPAM Act, senders of commercial emails (and other persons who initiate those emails) are required to make sure that those emails do not contain false or misleading transmission information. Commercial emails are required to include a valid return email address and other subject heading information so that the sender and the Internet location from which the message has been sent are accurately identified. Recipients must be furnished with an electronic method of informing the sender of the recipient's decision to not receive further commercial emails. In addition, the email must include a postal address of the sender and notice that the email is an advertisement. We are applying the CAN-SPAM requirements to these email communications, and believe that our email practices comply with the requirements of the CAN-SPAM Act, even though we believe that FTC regulations issued in May 2008 confirmed our existing understanding that these email newsletter communications are not generally commercial emails. Many states have also enacted anti-spam laws. The CAN-SPAM Act preempts many of these statutes. To the extent that these laws are not preempted, we believe that our email practices comply with these laws.

Regulation of Advertisements Sent by Fax. Section 227 of the Communications Act, which codifies the provisions of the Telephone Consumer Protection Act of 1991 (or TCPA), prohibits the transmission of an unsolicited advertisement via facsimile to a third party without the consent of that third party. An unsolicited advertisement is defined broadly to include any material advertising the commercial availability or quality of any property, goods or services. In 2005, the Junk Fax Prevention Act (or JFPA) was signed into law. The JFPA codified a previous interpretation of the TCPA by the Federal Communications Commission (or FCC) that a commercial fax is not unsolicited if the transmitting entity has an established business relationship, as defined by the JFPA and applicable FCC regulations, with the recipient.

In 2006, the FCC issued its final rules under the JFPA, which became effective on August 1, 2006. In the rules, the FCC confirmed that transactional faxes are permitted. It defined a transactional fax as one that facilitates, completes or confirms the commercial transaction that the recipient has previously agreed to enter into with the sender. The FCC stated that these faxes are not advertisements that are prohibited by the TCPA. The FCC also recognized that, if a transactional fax has a de minimis amount of advertising information on it, that alone does not convert a transactional fax into an unsolicited advertisement.

In addressing the so-called EBR exemption to the TCPA's prohibition on unsolicited facsimile advertisements, the FCC adopted the JFPA's definition of an established business relationship or EBR, which includes a voluntary two-way communication between a person and a business. The FCC rules specify that commercial faxes generally may be sent to those who have made an inquiry of or application to a sender within a prescribed period of time. The FCC rules do not prohibit faxed communications that contain only information, such as news articles, updates or other similar general information.

States from time to time have enacted, or have attempted to enact, their own requirements pertaining to the transmission of commercial faxes. These state requirements often, but not always, track the terms of the TCPA, the

JFPA, and the FCC's regulations. To the extent state commercial fax requirements have conflicted directly with federal requirements, they have to date been successfully challenged. We cannot predict the outcome of the FCC's future rulemaking proceedings, the extent to which states may successfully enact more restrictive commercial fax laws in the future, or the outcomes of any judicial challenges to those laws.

Table of Contents

We transmit commercial faxes to physician office practices in connection with our *The WebMD Little Blue Book* and physician appointment businesses, and we intend to comply with all applicable federal and state requirements governing the transmission of such faxes.

COPPA. The Children's Online Privacy Protection Act, or COPPA, applies to operators of commercial Web sites and online services directed to U.S.