CARECENTRIC INC
Form 10-K
March 12, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

[ ] 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 0-22162

CARECENTRIC, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	22-3209241
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2625 CUMBERLAND PARKWAY, SUITE 310, ATLANTA, GEORGIA 30339
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (678) 264-4400

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $.001 PAR VALUE
(Title of class)

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 X 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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the voting stock held by non-affiliates of the Registrant on February 28, 2003 was $2,173,957.

There were 4,371,350 shares of Common Stock outstanding at March 10, 2003.

Documents incorporated by reference in this Form 10-K: Portions of the definitive proxy statement relating to the 2002 Annual Meeting of Stockholders in Part III, Items 10 (as related to Directors), 11, 12 and 13.

Note: The discussions in this Form 10-K contain forward-looking statements that involve risks and uncertainties. Statements contained in this Form 10-K that are not historical facts are forward-looking statements that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. A number of important factors could cause future results of CareCentric and its subsidiaries to differ materially and significantly from those expressed or implied in past results and in any forward looking statements made by, or on behalf of, the Company. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Form 10-K. These factors include, without limitation, those listed in "Risk Factors" in the Company's Registration Statement on Form S-4 (File No. 333-96529).

PART I

ITEM 1. BUSINESS

OVERVIEW

CareCentric, Inc. (formerly known as Simione Central Holdings, Inc.) ("CareCentric" or the "Company") is a leading provider of enterprise information technology systems and related services designed to help home health care providers effectively operate their businesses in today's environment. The Company's focus is to provide software products for home health care providers to streamline their operations, meet regulatory requirements, receive payment and better serve their patients. For more than 20 years, CareCentric has provided comprehensive enterprise solutions to its markets in home healthcare. Currently, the Company is leveraging its long history and success to migrate its product solutions to new technology platforms that are being licensed or built. These new technology platforms are being designed to: create long-term scalable technology platforms using state of the art technologies; streamline real-time customer service, shorten decision cycles for our customers; speed up reimbursement; add new product solutions; and enhance customer options for reporting to meet the business requirements of the enterprises served. CareCentric currently offers several comprehensive software solutions. Each of these solutions provides a basic set of software applications and specialized modules that can be added based on customer needs. These software solutions are designed to enable customers to provide clinical case management, administrative, operating and financial solutions and payment processing efficiencies. Currently the STAT product serves hundreds of home health agencies as it has done for many years with a full enterprise suite of products. Similarly, MestaMed(R) and Dezine DME VI services thousands of home health care equipment providers at an enterprise level, streamlining the delivery, recording and payment of services. More recently, the introduction of three point-of-care products, Smart ClipBoard(R), Visit Assistant(TM) and Delivery Assistant(TM), are adding value to the capture of administrative and clinical data at the time services are offered to the patient. This complete line of products offers, in management's opinion, the most complete suite of home healthcare software solutions available from a single provider.

CareCentric has over 1,500 customers nationwide, including:

- hospital-based facilities;
- free-standing home health care providers;
- alternate-site care organizations;
- respiratory therapy service providers;
- home medical, IV, infusion and rehabilitation equipment providers;
- integrated delivery networks (IDN); and
- government-managed organizations.

Unless the context otherwise requires, references to CareCentric include CareCentric, Inc. and its subsidiaries. Our executive offices are located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339 and the telephone number is 678-264-4400.

RECENT DEVELOPMENTS

On January 29, 2003, CareCentric received an offer to merge with Borden Associates, Inc. In the proposed transaction, Borden would merge into CareCentric and purchase the shares of shareholders holding less than 4,000 shares for $0.55 per share. Each share of CareCentric common stock owned of record by a holder of 4,000 shares or more of CareCentric common stock will continue to represent one share of common stock after the merger. The outstanding shares of Borden Associates capital stock will, in the aggregate, be converted into the right to receive that number of shares of CareCentric common stock equal to the quotient of the total cash consideration paid to the holders of fewer than 4,000 shares of CareCentric common stock divided by the $0.55 per share price. CareCentric would remain the surviving entity. This transaction, if consummated, may result in the Company becoming private so that it would no longer be a reporting company under SEC regulations or be publicly traded on the OTC Bulletin Board. The Board of Directors is evaluating the proposal and has formed a special committee of independent directors, consisting of Winston R. Hindle, Jr. and William J. Simione, Jr., to evaluate, respond or negotiate the proposal with the principals of Borden Associates. Borden Associates is an investment company formed for the purpose of this transaction and owned by John Reed, Stewart Reed and James Burk. John Reed and Stewart Reed are material shareholders of CareCentric and members of its Board of Directors. As of March 10, 2003, the special committee of the Board has selected legal counsel and an investment banking firm to assist in the special committee's review of the offer by Borden Associates.

In January 2003, CareCentric reached agreement with Columbia HCA regarding certain litigation between the companies involving services contract obligations related to health agency activities which the Company had been involved in prior to 1999 when it was known as Simione Central Holdings, Inc. The settlement was completed in February 2003 with no future obligation due from the Company and a payment of $290,000 made to the Company.

On January 31, 2003, CareCentric licensed, as a reseller, a home health care agency processing software set to service the small agency and middle market service providers pursuant to a reseller agreement with Riversoft, Inc. of Melbourne, Florida. The Company will enhance, re-brand and resell the software on a royalty basis. This product will provide a cost-effective solution to service the largest part of the market without material investment in research and development by CareCentric.

INDUSTRY OVERVIEW

The home health industry is comprised of agencies that are freestanding, community based, provider based, hospital based, not for profit, for profit, large corporate chains and small agencies. Services provided include home health, hospice, private duty, infusion therapy, durable medical equipment and rehabilitation services. The largest payer for home health services is Medicare.

Home health care consists of various lines of services, including:

- skilled nursing;
- private duty;
- physical, occupational and speech therapies;
- respiratory therapy;
- durable medical and rehabilitation equipment and supplies;
- intravenous and infusion therapy; and
- Hospice.

The importance of home health care throughout the 1980's and 1990's was principally a result of payer choices and significant economic pressures within the health care industry. In those years, U.S. health care expenditures increased rapidly. In response to these escalating expenditures, payers, such as Medicare and managed care organizations, have applied increasing pressure on physicians, hospitals and other providers to contain costs. During the 1980s and early 1990s, this pressure led to the growth of lower cost alternate-site care, such as home health care, and to reduced hospital admissions and lengths of

stay. In addition, home health care grew rapidly as a result of advances in medical technology, which facilitated the delivery of services in alternate sites, demographic trends, such as an aging population, and preferences among patients to receive health care in their homes. Historically, this industry has been highly fragmented and characterized by small, local providers offering a limited range of services. With the advent of managed care and integrated delivery networks (IDNS) and changes in state regulations, home health care providers sought to expand their geographic scope and range of product and service offerings. As a result of these developments and legislation and regulatory pressures, the home health care industry went into a period of rapid growth and consolidation.

This trend of growth and consolidation began to reverse with the implementation of the Interim Payment System (IPS) by the Health Care Finance Administration (HCFA, now known as the Center for Medicare and Medicaid Services - "CMS"). CMS is the federal agency that administers Medicare reimbursement for the home health care industry, pursuant to the Balanced Budget Act of 1997 enacted on August 5, 1997. Medicare traditionally reimbursed a majority of home health care services at reasonable and customary amounts that could not exceed the costs of services provided, resulting in a direct relationship between the number of home health care visits and reimbursement. However, the Balanced Budget Act of 1997 contained provisions that significantly changed the manner in which home health agencies and home care services were reimbursed by Medicare. The legislation created IPS which lowered the cost per visit limitations and created restrictions on the amount of cost reimbursement per Medicare beneficiary. In late January 1998, HCFA published a notice revising the schedule of limits on home health agency costs for cost reporting periods beginning on or after October 1, 1997, which reduced the cost per visit limitations. At the same time, HCFA issued a rule setting forth surety bond and capitalization requirements for home health agencies. IPS has had a significant negative impact on the home health industry, resulting in numerous closings of home health agencies, consolidation of agencies and decisions by home health executives to no longer participate in the Medicare program or serve Medicare beneficiaries. Consolidation of the industry continued in 2001, but at a slower pace, as first, uncertainties about the effect of IPS, and second, the significantly poorer operating results (especially for home health agencies that were part of an IDN or hospital-based system or had modified operations to adapt to a managed-care environment), slowed the pace of home health merger and acquisition activity.

Also, as mandated by the Balanced Budget Act, the prospective payment system (PPS) was implemented on October 1, 2000. This payment system limits reimbursement to a fixed amount for all services rendered per episode of care based upon home health care resource groups (HHRG) indicated by clinical assessments. In addition to the impact of IPS and PPS, the growth in the number of Medicare members enrolling in managed care plans, which have taken measures to contain costs, has and will have a significant impact on providers' operations as they strive to maintain profitability. The uncertainty in the home health care industry concerning these changing regulations, and CMS' continuing updates of the regulations, adversely impacted CareCentric's business in 1998, 1999 and 2000 as many providers dissolved, conserved cash, cut back on IT spending or delayed purchasing decisions.

These negative factors increased during the fourth quarter of 2000 as PPS took effect and home health providers faced greater uncertainty and were further distracted. These trends continued throughout 2001 as providers worked to understand the short- and long-term effects of PPS. By mid-2001, most providers understood what they were facing financially and operationally, with many concluding that with good management, training and information technology, better financial results would be possible. While HME and IV/infusion service providers were not significantly affected by IPS or PPS, other cost-cutting initiatives of HCFA had a deleterious effect on these providers' interest in upgrading or acquiring information technology products and services.

In 2002, the home health industry waited patiently for the elimination of the 15% reduction in payment rates which had been part of the original PPS legislation. The 15% reduction scheduled to take place on October 1, 2002 was effectively enacted because the U.S. Senate failed to take timely action on a Medicare relief bill passed by the House. Home health agencies were once again dealing with significant cash flow and credit line issues. Other issues on the home health front during 2002 included medical supply bundling, Outcomes Based Quality Indicators (OBQI), reduction in the Outcome and Assessment Information Set (OASIS) requirements, and the publishing of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulations. Management believes

that these issues will continue into 2003 and will continue to impact information systems including CareCentric products. In addition, the industry wanted a permanent extension of the 10% rural add-on. This rural add-on, a 10% increased reimbursement to agencies that have additional costs and expenses associated with doing business in rural areas, is due to expire on April 1, 2003. The expiration of the add-on could begin to affect reimbursement associated with "episodes of care," defined periods of caregiving for specific sickness used for purposes of cost reimbursement, beginning February 1, 2003. The MedPAC report, scheduled for release in March 2003, is expected to remain silent on the 15% cut and to propose a 5% rural add-on. Home health care executives are said to be facing these cuts head on and are implementing the necessary steps to live with these reductions and, in doing so, are stabilizing the industry. CareCentric cannot predict how new regulations will impact its business in the future, although the costs of addressing hundreds of pages of regulations with fixed implementation dates, last minute changes and post-effective amendments and updates in comprehensive and integrated legacy and client/server systems are extensive. These developments also are disruptive to product development, deployment and support operations.

With the advent of the ongoing cost pressures and the complexities of PPS, home health care providers will continue to require enhanced management expertise, specialized industry knowledge and standardized financial, operational and clinical data, information, reports and transactional forms in order to compete. CareCentric believes that many existing home health care information systems are inadequate to address the changing needs of home health care providers. Generally, these systems were designed to generate patient billing information and cost reports for Medicare reimbursement and, as a result, may be unable to provide the detailed information required for meaningful business analyses and financial and clinical data collection under the new system. The Company believes providers need reports, real-time and point-of-care generated data on operational and financial matters and complete, organized and timely clinical records to effectively treat patients and to co-manage the cost and quality of the clinical care necessary to achieve favorable patient outcomes.

Thus PPS, in transferring the cost risk to home health providers already committed to quality clinical outcomes, creates the opportunity for the Company and its competitors to work with the providers to develop information technology software applications that will be useful tools in facilitating best practices, process improvement, decision support, activity-based costing, and electronic records and form transmission. The increased pressure that PPS presents to providers to manage costs, generate profits and manage outcomes greatly increases the need for new generation software. CareCentric's opportunity is to provide software that helps the agency provide program continuity for each patient, detailed clinical support at the point-of-care, better administrative payment and regulatory record keeping, reporting and processing. Together, these capabilities will enable an agency to better manage costs, stay current, improve productivity and patient outcomes and ultimately operate profitably through enhanced revenues and lower cost.

An additional major factor affecting the health care industry is a shortage of qualified nursing personnel. This shortage has had a significant impact on all service areas including home health, hospice, private duty and infusion therapy. A priority for agency executives in 2003 will be to actively address the issues of recruitment and retention. Once hired, employee job satisfaction will become the number one issue on the table. One consequence of the shortage is that employees are influencing agency operations by demanding tools which reduce paperwork, are user friendly, and improve and measure patient outcomes.

Another issue of significant importance is HIPAA, or more specifically the impact of the HIPAA privacy regulations on home health operations. These regulations mandate the protection of health information and require the development and implementation of many policies and procedures. The added financial burden of these requirements is great. Agencies that do not put these requirements into practice will face the possibility of financial ruin due to the fines associated with non-compliance.

Moving into 2003 with less Medicare money, less Medicaid money, and fewer staff, home health organizations are going to rely on systems and technology to operate cost efficiently, improve operating performance and enhance quality patient care. To be successful, CareCentric believes that home health executives will focus their efforts on managing their costs and knowing where their agencies stand financially and operationally. To do this they will depend on real time reports to make decisions and will continue to look at ways to take advantage of available technology like the Internet. Using new and available Internet applications to conduct business transactions will enhance business practices by decreasing time, improving staff productivity, improving compliance with regulations and facilitating best practices.

MARKET POSITION

CareCentric's objective is to enhance and grow its position as a major developer and provider of comprehensive and integrated information technology solutions, focused on the home health care industry. The principal elements of CareCentric's business and product strategies are described below. During 2002 continued progress in the execution of many of the strategies was made. Specifically, the absorption of The Smart Clipboard(R) and Outcomes Planner products acquired in 1999 combined with the acquisition of the MestaMed(R) and HMExpress(TM) products through the merger with MCS, signed in May 1999 and completed in March 2000, has provided an increased breadth of products and services capable of enhancing CareCentric's market position. In 2002, the Company accelerated its strategy by adding to its list of available products and solutions. The Company released new products including Visit Assistant(TM), Inventory Assistant and Santrax telephony services for distribution. These new products and alliances have dramatically increased the variety and affordability of information solutions for existing customers and new prospects alike. Accordingly, the products and services that have become part of CareCentric's offerings to the industry have been included in the current Core Software Solutions, Specialized Software Product Solutions, Clinical Content Options and Service Solutions sections described below.

BUSINESS STRATEGIES

Under the guidance of John R. Festa, the Company's President and Chief Executive Officer, CareCentric has embarked upon an aggressive strategy in 2003, focusing on the future of the Company. CareCentric will continue to leverage its deep domain knowledge, systems knowledge, and proven product offerings, while adding new services and capabilities. Current examples include the introduction of innovative PDA-based solutions, HIPAA-related system enhancements, alliances to provide HIPAA and asset management consulting services and the industry's first electronic Certificate of Medical Necessity product (eCMN). The eCMN solution combines customers' existing investment in CareCentric software with the latest technology available on the Internet.

Recently, the Company made a major step forward on its strategy by launching several new products to maintain a leadership position with its current line of products. Visit Assistant(TM) provides small and medium-sized home health agencies with a solution to point-of-care data capture at attractive pricing levels. Delivery Assistant(TM) provides a similar opportunity for the home equipment market. At the higher end of the product spectrum, Smart ClipBoard(R) 4.0 is expected to continue providing upgraded, comprehensive clinical, administrative and reimbursement capabilities to streamline productivity, speed up reimbursement, provide clinical data continuity and meet current and future regulatory requirements. In the home health care market, the Company is launching AC-CURA(TM), a newly licensed enterprise-wide software package servicing the small agency and middle market service providers where management believes that there are the greatest number of agencies and the least number of software provider solutions. Licensed from Riversoft, Inc. of Melbourne, Florida, AC-CURA(TM) will be enhanced and sold directly by CareCentric's field sales force using more direct mail, telemarketing, and innovative marketing techniques for the home health industry. Additionally, CareCentric will be using more flexible pricing options to aid the customer in faster buying decisions. PharmMed(R) adds another key clinical and administrative product offering to service the home pharmacy market. These products, combined with the new eCMN offering and a more comprehensive telephony offering, continue CareCentric's central mission as a complete and wide-ranging home health software solution provider.

Organizational changes made by CareCentric in 2002 have created and intensified an existing commitment to improve customer service and responsiveness. Activities continued throughout the year to review and create a "best practices" environment reaching all functional areas of the Company. More importantly, management believes that these changes position CareCentric for

more rapid development and deployment of new generation product platforms. Leveraging off of its existing comprehensive product offerings, management believes that the reorganization will allow faster decision making, decentralized parallel execution of plans and shorter time to market solutions for CareCentric's new product offerings. The changes had a dramatic effect in 2002 by providing reduced costs, increased focus on sales, better operational systems, fewer customer complaints and better customer service.

CareCentric management believes that CareCentric's products are regarded by many home health care providers as the most feature rich in the industry but management recognizes that the products' technology platforms need improvement for wider acceptance. In 2003 and beyond, CareCentric will continue to invest in new delivery and technology platforms for servicing its customers in creative ways, combining increased flexibility, proven technology, and scalable and open ubiquitous platforms. Additionally, CareCentric will look for more partnering opportunities to add new product offerings and services on a reasonable license basis to leverage the Company's infrastructure and to manage research and development expense.

The rapid evolution of computer technology provides for "faster to market" products and open platforms, which use more industry accepted technology tools that can remain ever flexible to meet future needs. During the next two years, CareCentric expects to devote substantial resources to take advantage of these new technologies. CareCentric fully expects to provide seamless migration to its new technology platforms while maintaining the features and functions its customers so highly value today. In addition, platform options will provide customer specified configurations allowing scale, function, and financial characteristics to be designed and determined on an individual basis.

CareCentric will continue to sell its current and future products through a direct sales force and through industry partners in related fields. The Company's strategy is to make these new product offerings available to a wider customer base than it currently services today as a result of increased delivery efficiencies and a more flexible cost structure. CareCentric will seek to keep all products current and innovative by maintaining a constant communication with the marketplace, a focus on regulatory changes and technological improvements.

THE CARECENTRIC SOLUTIONS

CareCentric offers a comprehensive set of product and service solutions to address the changing needs of home health providers and caregivers through information technology software systems, training, deployment resources and customer support. CareCentric's systems and services are designed to enable home health care, supply and equipment providers to produce and utilize comprehensive information reports to optimize the performance of their organization. These reports include financial, operational and clinical information designed to address organizational issues in order to make informed business decisions, more cost effectively operate their businesses, generate more revenues and compete in a cost-contained regulatory environment. Management believes these information technology solutions should help home health care providers:

- improve revenue opportunities
- reduce costs, improve cash flow and build financial strength
- accelerate payment reimbursement
- handle rapidly changing reimbursement rules and privacy regulations.
- manage inventories
- co-manage cost and quality and empower clinicians to make better decisions at the point-of-care
- maximize return on technology investment through comprehensive product services to optimally use the application in conjunction with process re-engineering and optimization
- increase understanding of key industry issues and optimal product usage with specialized training
- receive real time response to system usage issues through expert customer support and call tracking
- leverage best practice solutions against a large national base of current users
- meet regulatory requirements

CareCentric's key solutions provide a comprehensive set of home health enterprise software:

- STAT services the home health agency market and tracks patient visits, reports on action, follows regulatory requirements, and accounts and provides for reimbursement of services for the home health agency.
- MestaMed(R), MSS, and DME VI service the home medical equipment and supply markets with a complete suite of accounting, regulatory, tracking, reporting, invoicing, inventory management and utilization management systems for agencies of varying sizes.
- PharmMed(R) services the home health Infusion and IV market with a comprehensive application of prescription, patient tracking, inventory control and regulatory functions.
- Smart ClipBoard(R) services the high-end point-of-care market for the acquisition of clinical, accounting, administrative, reimbursement and regulatory data.
- Visit Assistant(TM) also services the point-of-care market with a less expensive, less comprehensive data acquisition product to service the moderate size to smaller home health agency.
- Delivery Assistant(TM) services the home equipment market in capturing delivery data for accounting, tracking and reimbursement purposes.
- AC-CURA(TM) services the home health agency market by providing a Windows-based comprehensive information management system for managing operations, finance and clinical functions of a small agency.
- Santrax is the nations largest supplier of home health telephony services. It provides patient based confirmed time, expense, activity and attendance reporting.
- Remaining product offerings include eCMN Processing and Inventory Assistant which provide critical ancillary products to complete the suite of critical home health enterprise applications.

Opportunity exists for the Company to extend its current offerings to current and future customers. CareCentric will continue to leverage its software applications and related services by leveraging existing platforms into a growing suite of tools that will facilitate new revenues, faster payment, best practices, process improvement, decision support, secure transactions and efficient, electronic transmission of medical records and claim forms. Investment in information technology is more critical in home health care because the information needs both to be shared and secured while users are both distributed and disconnected. CareCentric is directing its information technology solutions at these opportunities. CareCentric plans to package information technology solutions and services to serve the individual needs of customers.

INFORMATION SYSTEMS

CareCentric offers comprehensive and flexible software solutions to address the information processing needs defined by a number of unique home care market segments including home medical equipment suppliers, infusion pharmacy providers, home health agencies, hospice service providers and integrated delivery networks. Each of CareCentric's software products offers a suite of core application modules that address the financial, administrative, payment, regulatory and operational, and in some cases, clinical requirements of home health care providers. These applications are designed to:

- Generate revenue
- Promote improvement in the efficiency of customer processes and operations
- Operate in a number of popular technology environments
- Speed reimbursement for services
- Improve patient care
- Provide scalability and growth options
- Facilitate open data access and ubiquitous connectivity to third-party solutions
- Produce management reporting and decision support tools
- Facilitate regulatory compliance

- Manage inventories
- Ease the burden of HIPAA compliance

CORE SOFTWARE SOLUTIONS

CareCentric's current core software solutions are as follows:

STAT2

STAT2 is designed as a feature rich, stand-alone complete, flexible and fully integrated home health agency management system. The STAT2 core set of software applications includes:

- Client Intake
- Treatment Plans
- Employee Tracking
- Scheduling
- Electronic Transmission and Remittance
- HIPAA compliance
- Billing/Accounts Receivable
- General Ledger
- Accounts Payable
- Payroll
- Hospice
- Interface with Point of Care

This core set of applications and their underlying features and functions can be enhanced with specialized features including, telephony and SQL reporting. The STAT2 system allows a customer to exchange clinical and financial information with external systems such as demographics and patient master files from affiliates or referring institutions in either a real-time or batch mode through HL-7 interface engine technology or customized interfaces. STAT2 is designed to increase staff productivity by fully integrating the system's clinical, financial and operational applications and thereby eliminating redundant data entry. STAT2 has the ability to customize system features as well as the ability to expand with the customers' business. The STAT2 system is further enhanced by the use of the Smart Clipboard(R) point-of-care system and Visit Assistant(TM). Smart Clipboard(R) and Visit Assistant(TM) are discussed further below.

MestaMed(R)

MestaMed(R) is a stand-alone fully integrated billing, accounting and inventory control system for providers of multiple line-of-business home health services including:

- Home Medical Equipment & Supplies
- Home Health Care
- Infusion and IV Therapy
- Rehabilitation Equipment
- Hospice Services
- Retail Sales

MestaMed(R) customers are home health care providers who use MestaMed(R) to track the delivery of home medical equipment and related supplies and infusion pharmacy, skilled nursing and hospice services to patients and to meet the complex requirements necessary to obtain reimbursement from Medicare, Medicaid and other third-party payers. CareCentric believes MestaMed(R) is the only system that fully integrates information on operational and financial management for multiple lines of service homecare providers.

MestaMed(R) is in use nationwide by hundreds of organizations and multiple thousands of users from independent providers to large, regional and national companies. It is proven to be well suited to meet the needs of larger, multi-location home care providers. MestaMed(R) is designed to be cost-effective and scalable and to readily expand to meet future information processing requirements and provide management flexibility. Multi-service providers can de-centralize certain operations, such as intake, by location or line of business; and centralize other functions, such as billing and collections, across locations and business lines.

A number of additional add-on features and supplemental modules can be optionally purchased to satisfy the information technology requirements of a particular home care provider. Recent product releases include Delivery Assistant(TM), a point of delivery PDA solution and Inventory Assistant, a physical inventory barcode-scanning PDA solution. MestaMed(R) was the first system nationwide to deliver an electronic CMN solution through and alliance with Trac Medical. MestaMed(R) is designed to easily and cost effectively meet the needs of large providers who have high transaction volumes, large numbers of users, multiple branches and remote processing requirements. MestaMed(R) is available on a variety of hardware platforms and operating environments including Open VMS, UNIX, Windows NT, Windows 2000, AIX and various Intel, Alpha and RS 6000 computer systems.

DME VI

DME VI is a PC-based software application for mid-size home medical equipment and medical supply businesses. The DME VI core set of software applications includes:

- Order Entry
- Inventory Management
- General Ledger
- Billing
- Accounts Receivable
- Purchase Orders

DME VI features add-on modules such as retail sales and bar coding. The DME VI software provides easy to use data import/export capabilities. DME VI customers are also afforded real-time customer support coverage and services. Delivery Assistant(TM), Inventory Assistant and eCMN features are planned for DME VI in 2003.

HMExpress(TM)

HMExpress(TM) is a Windows-based, cost-effective and proven suite of applications designed for small to mid-sized home medical equipment providers. HMExpress(TM) automates order processing, CMN management, billing, accounts receivable, inventory and rental management; the core operational areas of any HME business. HMExpress(TM) packages years of research and development into an affordable out-of-the-box HME solution.

HMExpress(TM) features HME patient intake and order processing, equipment pickups and exchanges, rental equipment management, recurring rental billing, capped rental processing, CMN printing and tracking, Medicare Form 1500 bill printing, private-pay statements, HIPAA compliant 837 and 835 standard billing formats, billing system, accounts receivable system, perpetual inventory, management reporting and multi-branch processing. HMExpress(TM) can grow with a business or customers can upgrade to other compatible CareCentric products.

AC-CURA(TM)

AC-CURA(TM) is a Windows 2000/XP open architecture complete home health agency information system application. It is fully scaleable, and capable of supporting centralized or decentralized organizations. AC-CURA(TM) offers complete scheduling, billing, operations, financial, and QA functionality. AC-CURA(TM) offers a simple and reliable interface solution to virtually any point-of-care device, telephony, and care plan management.

AC-CURA(TM) has hundreds of users operating in 23 states. AC-CURA(TM) is designed to handle all types of payers including Medicare, Medicaid, Private Pay and Staffing. AC-CURA(TM) can be configured in a client server or a decentralized data base environments. AC-CURA(TM) is sold under a business alliance based on a reseller agreement with Riversoft, Inc.

SPECIALIZED SOFTWARE PRODUCT SOLUTIONS

CareCentric offers the following specialized software solutions:

The Smart Clipboard(R)

The Smart Clipboard(R) is a point-of-care clinical information system that provides a clinical solution designed to assist home care providers in co-managing the cost and quality of the care they deliver by helping them understand their clinical and administrative processes. The Smart Clipboard(R) is a Windows-based client/server application that uses replication technology to maintain synchronized subsets of the master database in each tablet computer for data collection and validation at the point-of-care. This facilitates disconnected, distributed operations that characterize the information and operational needs of home health operations spread over large areas or across a region. The Smart Clipboard(R) provides home care nurses, therapists, and other clinicians with a means to capture complete patient information and assist in making timely, informed clinical decisions at the point-of-care. Through a relationship with Outcome Concept Systems, the system provides OASIS and ORYX data entry, validation, submittal and benchmark-reporting capabilities. The Company designed The Smart Clipboard(R) system to work in conjunction with the STAT2 and MestaMed(R) HHA back-office systems to give home health agencies seamless data exchange from clinical to operational to financial functions and back as indicated or required.

Visit Assistant(TM)

CareCentric Visit Assistant(TM) is an intuitive, easy to use, hand-held point-of-care device. It performs key admission and patient care functions necessary for improved cash flow while eliminating manual data entry and increasing visit data accuracy. Using personal digital assistant (PDA) technology, Visit Assistant(TM) is the latest in CareCentric's line of mobile computing solutions. Visit Assistant(TM) is based on a Palm Operating System(R) device and provides a cost-effective solution for any size agency.

Visit Assistant(TM) enables improved clinical processes through the ability to collect OASIS, 485, Assessment and Clinical Notes in the field. With Visit Assistant(TM), agencies can perform regulatory functions to generate 485 forms, calculate HHRG and submit OASIS data sets validated at the point-of-care to ensure consistency and compliance. Visit Assistant(TM) is designed for use with the STAT 2 and MestaMed(R) HHA clinical and financial system for billing and operational efficiency.

Visit Assistant(TM) is sold under a business alliance with a vendor company, Golden Rule Software, Inc. based on a license and distribution agreement.

Delivery Assistant(TM)

CareCentric Delivery Assistant(TM) is an automated inventory control solution for home medical equipment providers. Asset control including serialized inventory tracking can now be performed at the point of delivery. Fully integrated to the MestaMed(R) management system, the Delivery Assistant(TM) enables delivery technicians to scan bar-coded orders, supplies and equipment information to confirm delivery transactions. In addition, the Delivery Assistant(TM) captures insurance verification information and cash receipts. Daily activity can be automatically transferred to the MestaMed(R) system for inventory control and operational efficiency. Delivery Assistant(TM) is a key addition to the MestaMed(R) Home Medical Equipment line of products. It provides valuable inventory, delivery and payment needs that speed the delivery, reduces backlog, increase productivity and speeds reimbursement. In 2003, the company plans integrate the Delivery Assistant(TM) into the DME VI HME system.

OASIS/ORYX Reporting and Benchmarking

CareCentric continues to enjoy value-added Retailer agreement with Outcome Concept Systems, Inc. (OCS). This agreement enables CareCentric to offer the complete suite of OCS products to all CareCentric customers who use outcome measures to define patient care goals. The OCS products allow home healthcare companies to manage, report and analyze clinical data.

PharmMed(R)

PharmMed(R) is CareCentric's enhanced, comprehensive, Windows-based, home care pharmacy software. PharmMed(R) works in conjunction with the MestaMed(R) Management System to fully automate processes unique to home infusion therapy providers, including the billing of HME products and tracking of related assets. A Windows-based application that adapts to both centralized and/or decentralized operations, PharmMed(R) supports multiple locations and offers streamlined prescription processing, enhanced clinical documentation, improved operations to facilitate more efficient workflow, and improved reporting to aid regulatory compliance. Compounded, Non-compounded and TPN prescription processing is supported. A number of productivity enhancing interfaces including TPN compounder interfaces to Baxter and BAXA products are available.

Santrax

In 2002, CareCentric entered into a value added reseller agreement with SanData Systems, Inc. to provide a best-of-breed telephony solution to CareCentric's home health customers. Santrax is a browser-based ASP application that enables home care field employees to record timecard and visit information using standard touch-tone telephones. It was designed as a simple, low-cost means for capturing key information at the point-of-care. Santrax confirms staff visits through on-site caller identification. Once collected, information is automatically exported into an agency's payroll and billing applications. Santrax is well suited for use by paraprofessionals or home health aides. Santrax interfaces directly into the STAT enterprise software to provide a fully integrated solution to the home health care provider for data capture, reporting and billing. Interfaces to the MestaMed(R) HHA system are expected to be available in 2003.

CLINICAL CONTENT OPTIONS

SmartPlans

The SmartPlans suite of patient care plans and assessments integrated into CareCentric's Smart Clipboard(R) that allows home health agencies to implement electronic clinical data collection processes by defining treatment plans for a variety of medical diagnosis-based conditions common to skilled nursing, hospice services and therapies. Over 30 plans of care and supported assessments facilitate immediate implementation of a structured clinical process.

Outcomes Planner System

The Outcomes Planner System (OPS) is an alternative option available to CareCentric Smart Clipboard(R) customers designed to give agencies a teaching-oriented set of clinical care pathway options. CareCentric's Outcomes Planner System is a disease-specific, clinical care path and care plan documentation package that includes discipline-specific OASIS and ORYX assessments for skilled nursing. Modules for physical, occupational and speech therapy as well as hospice are also available.

HIPAA Enhancements

The Company expects that the Health Insurance Portability and Accountability Act of 1996 (HIPAA) will necessitate on-going security, privacy and electronic transmission-related enhancements to current software products.

As specific implementation regulations, guidelines and timetables are promulgated and finalized, CareCentric will respond by allocating the resources and delivering regulation compliant, productivity enhancing modules it believes will be needed to gain compliance for its own employees, product and service offerings and its operations.

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SERVICE SOLUTIONS

Software Services

CareCentric believes that providing comprehensive software services to customers is critical to its success in the home health care industry. CareCentric employs in excess of 100 professionals dedicated to this effort who provide the following services:

- Implementation: Implementation services provide a proven approach to implementing and supporting a CareCentric software system. Services include a formal implementation plan, periodic review of the schedule and on-going progress with customer management, and coordination of CareCentric installation, training and system integration resources. Quality assurance measurements are required after each on-site visit.

- Training: Training and education services are offered on a continuing basis to existing customers either at the customer's site, at CareCentric classroom training facilities in Pittsburgh, Pennsylvania; Pompano Beach, Florida; and Atlanta, Georgia or at a remote facility in conjunction with major industry trade shows.

- Data Conversion Services: Data conversion services are offered on a fee for service basis to those customers that require electronic creation of certain databases required for use with CareCentric software solutions. This critical aspect of sales and implementation provides the customer with the technical and operational support to effect a smooth, accurate and comprehensive data transition to CareCentric's platforms.

- Software Support: CareCentric offers telephone support Monday through Friday and emergency telephone support on evenings and weekends. The support is available at standard 8:30 a.m. to 8:30 p.m. EST hours or can be specially tailored to the different types of healthcare operations serviced by the product. Weekend support is available on an on-call basis by support staff of the Company. Customers can purchase added platinum/premium level support. In these cases, key support personnel are on call to handle critical issues during extended hours. Support coverage includes selected training questions, non-compliance issues, system breakdowns and diagnostics of critical functions to keep the customer operational. The Company also provides software maintenance releases on a periodic basis to address non-conforming software, certain regulatory updates and certain product features and improvements. Maintenance releases of software are made available to customers periodically. These software maintenance releases include improvements and regulatory updates. These updates do not include major functional or computer platform changes that would be offered to customers as new product sale opportunities.

- Technical Consulting: CareCentric provides software customization and integration, technical audits of the customer's information systems, integration and network planning and strategic and tactical information systems planning.

- Custom Programming: CareCentric provides customer-specific changes for its products on a fixed fee or per hour basis.

- Data Migration Services: CareCentric provides customer data migration routines to support transitioning from a competitive software product.

- CareCentric is assembling a standardized business optimization package of services. This package of services will provide on-site review of customers' existing procedures and recommend "best-practice" policies and procedures designed to maximize the customer's utilization of the CareCentric's software product features.

Software support services represents a major source of recurring revenue, as these services are provided through monthly, quarterly and annual renewable maintenance contracts which provide access to customer support, software releases to respond to changes in regulatory policies, and certain product improvements. The software at customer installations that do not have maintenance agreements rapidly becomes obsolete. Other services are generally charged on a time and materials usage basis. Travel costs are billed separately. CareCentric's technical personnel also provide on-site and on-call support as requested.

Business Consulting Services:

This segment was discontinued at the end of the third quarter of 2001.

CUSTOMERS

CareCentric has over 1,500 customers nationwide, including:

- hospital-based companies;
- home health care service providers;
- alternate-site care organizations;
- home medical equipment providers;
- integrated delivery systems;
- government-managed organizations;
- respiratory service providers; and
- home infusion therapy providers.

SALES AND MARKETING

CareCentric, led by a Senior Vice President of Sales and Marketing, markets its information technology systems and services through a direct national sales force led by two Vice Presidents, one focused on home health agencies and the other focused on home medical equipment and IV pharmacy providers. There were 12 account executives at February 28, 2003. An inside sales force of six employees handles additional licenses, add-on modules, accessories, forms and supplies sales. CareCentric also employs a marketing and sales support staff to assist its sales force.

Recognizing the importance of maintaining good communication and obtaining valuable input from its customers, CareCentric sponsors customer advisory groups and national user group meetings. Regional user group meetings are also held to discuss customer comments, suggestions, industry trends, and related system issues. CareCentric also maintains an active web site promoting important news, customer training events, web based educational opportunities and demonstrations. In addition, CareCentric maintains a national advertising campaign, direct mail campaigns and an active national, regional and state trade show presence.

BACKLOG

CareCentric had backlog of $3.8 million at December 31, 2002, $3.2 million on December 31, 2001, and $4.1 million on December 31, 2000. Backlog consists of the unrecognized portion of contractually committed software license fees, hardware, estimated installation fees and professional services. The length of time required to complete an implementation depends on many factors outside the control of CareCentric, including the state of the customer's existing information systems and the customer's ability to commit the personnel and other resources necessary to complete the implementation process. As a result, CareCentric may be unable to predict accurately the amount of revenue it will recognize in any period and, therefore, can make no assurances that the amounts in backlog will be recognized in the next twelve months.

TECHNOLOGY

SMART CLIPBOARD(R) CareCentric's Smart Clipboard(R) point-of-care clinical product is built upon a Client/Server Remote Distributed Relational Database technology platform. Smart Clipboard(R) utilizes iAnywhere's (Sybase) relational

database engine, Adaptive Server Anywhere, for its rich feature set and replication support. The Smart Clipboard(R) product is currently deployed on Microsoft's Windows operating systems platforms. User interaction with the system is through a Windows-based Graphical User Interface (GUI), with a pen-based user interface provided at the point-of-care.

STAT2 The STAT2 system is an MSM-based solution and operates on multiple operating systems, including Windows, SCO-UNIX and AIX. MSM is a reliable, hierarchical database that is very fast and requires low maintenance. MSM is also a programming language that was designed to efficiently manage the large amounts of text that the medical industry uses. STAT2 is a back-office system that allows a customer to exchange clinical and financial information with external systems in either an immediate connection (using the HL7 standard) or by accumulating data to transmit later in batch mode. Several components of the Cache database and development environment will be incorporated in 2003 to allow support under a larger family of operating systems and to eliminate the need for third-party ODBC tools.

DME VI The DME VI system is a complete billing and operations management system that addresses the business needs of the Home Medical Equipment (HME) market. The solution is a PC based, Windows compliant software system that operates on a variety of platforms, including Windows 95/98, Windows NT, and Windows 2000. The software is scaleable, and can run as a separate stand-alone system or as part of a local area network (LAN) or wide area network (WAN). The DME VI software uses the highly regarded Pervasive SQL 2000 database software to ensure the accuracy and integrity of the data.

MESTAMED(R) The MestaMed(R) software system is a completely integrated billing, operations and financial management system for the Home Medical Equipment (HME), Home Infusion Therapy (IV) and/or Home Nursing (HHA) market. The MestaMed(R) solution can be deployed in an integrated health care delivery environment, or implemented as a stand-alone solution in any of the operational disciplines. MestaMed(R) can operate on multiple operating systems including Windows NT, Windows 2000, Unix, AIX or Open VMS. The system fully supports local and wide area networks through TCP/IP network protocol. The MestaMed(R) product is powered by the Synergy Development Tool set; a comprehensive cross-platform set of advanced tools that enable programmers to rapidly create and deploy system-independent, extensible Enterprise solutions. Within this Tool set is the xfServer Plus component, a robust, scalable server that enables access to remote data and logic.

VISIT ASSISTANT(TM) The Visit Assistant(TM) (VA) operates on the Palm operating system. The handheld units synchronize to any PC on the same network where the Visit Assistant(TM) server resides. The VA server uses an SQL database and users can work with the synchronized handheld data from a workstation. Visit Assistant(TM) data are exchanged with the back-office STAT2 product, eliminating dual data entry. Visit Assistant(TM) is sold based on a license and distribution agreement with a vendor company, Golden Rule Software, Inc. Golden Rule originally designed a generic version of the base point-of-care product and offered it as a non-integrated, stand alone point-of-care capture device. CareCentric has integrated the product to its STAT and MestaMed(R) back office systems.

PHARMMED(R) The PharmMed(R) software is a front-end windows-based GUI pharmacy and prescription processing system designed to manage the specialized mixing and delivery needs of infusion therapy. The PharmMed(R) system is a fully integrated product that leverages the MestaMed(R) patient intake, backoffice billing, accounts receivable and management system features. PharmMed(R) can operate on Windows NT and Windows 2000. The system fully supports local and wide-area networks through TCP/IP network protocol. The PharmMed(R) product is also powered by use of the Synergy development toolset and language.

DELIVERY ASSISTANT(TM) The MestaMed(R) Delivery Assistant(TM) is a handheld point of delivery system. The solution is deployed on a Personal Data Assistant (PDA) using the Palm operating system. The Delivery Assistant(TM) is fully integrated with the MestaMed(R) System to automatically confirm delivered orders. Information is shared between the PDA and MestaMed(R) Host system via HTTP requests from a JAVA Virtual Machine running on any Windows 95/98, Windows NT or Windows 2000 client in the network.

INVENTORY ASSISTANT The MestaMed(R) Inventory Assistant is a handheld physical inventory system. The solution is deployed on a Personal Data Assistant (PDA) using the Palm operating system. The Inventory Assistant is fully integrated with the MestaMed(R) System to automatically scan bar-coded inventories to expedite physical inventory counts. Information is shared between the PDA and MestaMed(R) Host system via HTTP requests from a JAVA Virtual Machine running on any Windows 95/98, Windows NT or Windows 2000 client in the network.

THIRD PARTY SOFTWARE CareCentric's systems are dependent upon many third-party software and hardware products and related services and alliances with other product and development partners. There can be no assurance that financial or

other difficulties experienced by such third-party vendors will not have an adverse effect on CareCentric's abilities to provide its systems or that CareCentric will be able to replace such third-party products and services if they become unavailable.

The third-party software is composed of varying types and contractual arrangements. The software licensed from third parties falls into one of four categories consisting of operating systems, medical content, report writer and data base manager. All of CareCentric's products use these third-party software products to some varying degree. The software is either embedded in CareCentric's software prior to sale or accessed by CareCentric's software as an external data file. Fees charged by the third-party software vendors are passed on to CareCentric's customers in the license fees, annual fees or maintenance fees charged by CareCentric.

RESEARCH AND DEVELOPMENT

CareCentric maintains a staff of approximately 38 product and project managers, programmers, data base engineers and analysts, systems and application analysts, quality assurance analysts and documentation specialists who monitor developments in the computer software and health care industries and who continuously work to enhance and develop CareCentric's systems, to investigate and partner with third-party vendors whose products provide complimentary solutions to existing CareCentric products and to enhance and develop its suite of product and re-engineering services.

CareCentric continuously engages in enhancing selected features of existing products to help its customers meet constantly changing regulatory requirements as well as to improve operational and clinical processes. The Company believes that such activities will help customers manage and reduce costs while increasing the opportunities to improve revenue generation and collection.

CareCentric has also engaged in the design of an "n-tier platform" multiple-line-of-business solution designed to operate in the Microsoft .NET environment as both an in-house and ASP deployable solution. Plans to move the project to its development phases through a combination of available and integratable third-party components in conjunction with a number of in-house developed components in 2003 are underway.

A large development team remains in place to add new features and value-add products to the Company's existing products while a new product team builds off the Company's existing base to develop the technology platforms for future products.

COMPETITION

Competition in the market for home health care information systems and services is intense and has resulted in the ongoing entry and exit of vendors each year. CareCentric believes that the primary factors affecting competition are:

- features and functions
- technology platforms
- system performance and reliability
- ability to operate in a changing regulatory environment
- customer support
- service
- system flexibility and ease of use
- potential for providing feature enhancements
- delivery mechanisms
- reputation
- financial stability

o pricing

CareCentric believes it is a strong competitor in features and functions, system performance and reliability, ability to provide regulatory enhancements, customer support and potential for enhancements, thus providing the customer with a return on investment. CareCentric provides customer support through a real-time, telephone-based system that has proven effective in satisfying customer needs in a timely fashion. CareCentric has a competitive advantage in the service area due in large part to a tenured staff and a deeply experienced installation and training team leading to stronger customer relationships. Pricing in this industry is very competitive, with no particular company, including CareCentric, having a clear advantage. CareCentric's reputation is tied mainly to the performance of each of its products, its deep industry knowledge and the feature and function of its products.

Management believes that CareCentric's name recognition has been expanding since its debut in January 2001. Advertising of the name, logo and tag line - Achieve Your Potential - continued throughout 2002 and has been successful in beginning to establish a single branded identity representing multiple flagship products and services. Management believes that the market continues to identify with CareCentric's products - MestaMed(R), STAT 2(R), Smart Clipboard(R) and PharmMed(R) - indicating a strong product allegiance by the customer.

CareCentric's competitors include other providers of home health care information systems and services. Furthermore, other major health care information companies not presently offering home health care information systems, or major information system companies not currently in the health care industry, could develop the technology and enter CareCentric's markets. CareCentric believes its most significant competitors are:

o McKesson Information Systems;
o Patient Care Technologies, Inc. (partially owned by Meditech);
o Home Care Information Systems, Inc. (owned by Misys PLC);
o 3M;
o Beyond Now Technologies;
o FastTrack Healthcare System;
o Computer Applications Unlimited; and
o Computers Unlimited.

Increased competition could result in new products and technology, price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect CareCentric's business, financial condition and results of operations. In addition, many of CareCentric's competitors and potential competitors have significantly greater financial, technical, product development, marketing and other resources and market recognition than CareCentric. Many of CareCentric's competitors also currently have, or may develop or acquire, substantial installed customer bases in the home health care industry. There can be no assurance that CareCentric will be able to compete successfully against current and future competitors or that competitive pressures faced by CareCentric will not materially adversely affect its business, financial condition and results of operations.

PROPRIETARY RIGHTS AND PRODUCT PROTECTION

CareCentric owns the copyrights on its STAT2 system and the DME VI solution acquired from Dezine, the Smart Clipboard(R) system acquired in its 1999 merger with CareCentric Solutions, Inc. (CSI), the MestaMed(R), PharmMed(R) and HMExpress(TM) products acquired in its 2000 merger with MCS, Inc. (MCS) and has applied for AC-CURA(TM) as the product copyright name for its newly reseller-licensed HHA product. CareCentric depends upon a combination of trade secret, copyright and trademark laws, license agreements, nondisclosure and other contractual provisions, confidentiality policies and various security measures to protect its proprietary rights. There can be no assurance that the legal protections afforded to CareCentric or the precautions taken by CareCentric will be adequate to prevent misappropriation of CareCentric's technology. In addition, these protections do not prevent independent third-party development of functionally equivalent or superior technologies, systems or services, or the obtaining of a patent with respect to CareCentric's technology by third parties. Any infringement or misappropriation of CareCentric's core proprietary software could have a material adverse effect on CareCentric. Although there has been no significant litigation with respect to

these claims, as the number of home health care software information systems increases and the functions of these systems further overlap, health care information systems may increasingly become subject to infringement claims.

CareCentric believes that its current systems and products do not infringe on the patent or trademark rights of any third parties. There has, however, been substantial litigation and uncertainty regarding copyright, patent and other intellectual property rights involving computer software companies and there can be no assurance that CareCentric will prevail in any infringement litigation in which it becomes involved. Any claims or litigation, with or without merit, could be costly and could result in a diversion of management's attention which could have a material adverse effect on CareCentric's business, financial condition and results of operations. Adverse determinations in such claims or litigation may require CareCentric to cease selling certain systems or products, obtain a license and/or pay damages, any of which could also have a material adverse effect on CareCentric's business, financial condition and results of operations.

GOVERNMENT REGULATION AND HEALTH CARE REFORM

The health care industry is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of home health care organizations. During the past several years, the United States health care industry has been subject to an increase in governmental regulation of, among other things, reimbursement rates and certain proposals to reform various aspects of the United States health care system have periodically been considered by Congress. Future proposals may result in increased government involvement in home health care and otherwise change the operating environment for CareCentric's customers. Home health care organizations may react to these proposals and the uncertainty surrounding such proposals by curtailing or deferring investments in CareCentric's systems and services. CareCentric cannot predict what impact, if any, such factors might have on its business, financial condition and results of operations.

Regulations enacted by the United States government are created through several agencies and specific regulations. The Department of Health and Human Services (HHS) is the agency responsible for protecting the health of all Americans. The Centers for Medicare and Medicaid Services (CMS), a department within HHS, is responsible for administering the Medicare and Medicaid programs and for enforcing the transaction and code set standards that are part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Office of Civil Rights (OCR) is responsible for enforcing the HIPAA privacy standards. The Office of Inspector General (OIG) is responsible for protecting the integrity of HHS. The OIG conducts audits, investigations, inspections and other related activities to ensure program integrity and to identify fraud and abuse. These government agencies and the regulations they oversee all have a significant impact on how home health companies conduct business each day.

Each year the OIG publishes a Work Plan that identifies specific areas of investigation for the coming year. In 2003 home health, hospice and durable medical equipment businesses are once again included in the Work Plan. Home health will be the focus of two studies, hospice one study and durable medical equipment four studies. For home health the OIG will investigate the effect the prospective payment system is having on quality of home health care. The goal is to determine whether any changes have occurred in the level or mix of service, the number of hospital re-admissions or emergency room admissions and the number of deficiencies identified on survey and certification. The second study will look at payment controls and whether services were properly coded and whether any services were inappropriately unbundled and paid separately by Medicare. The OIG's focus for hospice will be a re-examination of a past area of scrutiny; hospice and nursing home relationships. Specifically this study will focus on the private paying hospice patient who resides in a nursing facility and will determine whether services were provided according to the plan of care. Durable medical equipment companies will see the OIG scrutinizing the area of medical necessity of wheelchairs, payments for enteral therapy, parenteral nutrition, oxygen and therapeutic shoes. The activities of the OIG support the need for agencies to develop and improve their corporate compliance plans. Implementing system controls and safe guards are a must in this environment of regulatory control and scrutiny.

All of these areas could potentially impact CareCentric through the need for additional system controls and safeguards. Any required changes resulting from the Inspector General's review of the home health industry could increase the costs and time necessary for CareCentric to provide its administrative services to its customers and could affect CareCentric in other respects not currently foreseeable.

The enactment of the Health Insurance Portability and Accountability Act by Congress in 1996 began a new era in the field of information management. Among other requirements, HIPAA called for the adoption of standards governing the electronic transmission, privacy and security of health information. HIPAA required the Secretary of the Department of Health and Human Services (DHHS) to adopt standards governing the electronic transmission of data in connection with a number of transactions involving health information, including submission of health claims. These standards are intended to cover security measures and safeguards with respect to health information, as well as standardization of data, assignment of identifiers and authentication of electronic signatures.

The Standards for Electronic Transactions and Code Sets Final Rule was published in the August 17, 2000 Federal Register and became effective October 16, 2000, setting an effective compliance date of October 16, 2002. Congress enacted a one-year extension to this standard for covered providers who submit a compliance plan prior to October 16, 2002. The goal of this regulation is to simplify electronic transfer of data by requiring a single set of standards be used throughout the health care industry. This single set of electronic standards will be required for all health plans and providers, as well as claims clearinghouses, whether in the government or private sector. This regulation includes eight electronic transactions and four code sets to be used in those transactions. These are:

- o Health claims and equivalent encounter information
- o Enrollment and dis-enrollment in a health plan
- o Eligibility for a health plan
- o Coordinating of benefits

- Health care payment and remittance advice
- Health plan premium payments
- Health claim status
- Referral certification and authorization

The Standards for Privacy of Individually Identifiable Health Information Final Rule was issued on December 20, 2000. This regulation protects all patient records, including paper, electronic, and oral communications. The Department of Health and Human Services delayed the effective date of the privacy rules by two months, setting a new effective date as of April 14, 2001, with a new compliance date of April 14, 2003. This rule will require significant changes in CareCentric's systems and its operations regarding access to records, masking, and confidentiality.

The proposed Security Rule published in 1998 was expected to become final in the first quarter of 2003 with a compliance date of February 2005. The Security Rule consists of several standards that require covered entities to maintain reasonable and appropriate administrative, technical, and physical safeguards to ensure the integrity and confidentiality of health information and prevent the unauthorized use or disclosure of health information. Home health agencies are just beginning to prepare for the impact of the HIPAA privacy standards.

In January 1999, HCFA published an interim final rule and a final rule requiring home health agencies to report electronically data obtained from the Outcome and Assessment Information Set ("OASIS") as a condition of participation by such agencies in the Medicare program. OASIS requires information regarding patients to be submitted electronically to HCFA, and the January 1999 rules set forth requirements for maintaining the privacy of patient identifiable information generated by OASIS. Further, these rules require the home health agency or its agent to maintain the confidentiality of all patient identifiable information contained in the clinical record and neither can release such patient identifiable OASIS information to the public. Any agent acting on behalf of an agency in connection with the transmission of OASIS data must be doing so pursuant to a written agreement with the home health agency. Additional legislation governing the dissemination of medical record information has been proposed at both the state and federal level. This legislation may require holders of such information to implement additional security measures which may be difficult to implement and costly to CareCentric. There can be no assurance that changes to state or federal laws and regulations will not materially restrict the ability of home health care providers to submit information from patient records to CareCentric's systems or impose requirements which are incompatible with CareCentric's current systems. During 2000, HCFA announced

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that OASIS assessments must be completed on all adult patients, with the exception of maternity or personal care/housekeeping services. However, the encoding and transmission requirement currently applies to Medicare and Medicaid patients only. OASIS requirements have been delayed for patients receiving only personal care (non-skilled) services.

In 2002, CMS's committee on Regulatory Reform recommended streamlining home health paperwork. This resulted in the development of a shorter version of the OASIS tool. The new version decreased the number of required fields and added a new field required to comply with ICD-9-CM coding requirements mandated by HIPAA. The committee's goal was to require only those assessment items needed to promote quality patient care and to ensure proper payment. This recommendation was approved by the OMB in January 2003. Home Health agencies could implement the shorter OASIS immediately. The compliance date for the changes to the OASIS data set is October 1, 2003.

On July 3, 2000, HCFA released the Prospective Payment System for Home Health Agencies Final Rule for reimbursement of home health providers under Medicare which was effective on October 1, 2000. Under this rule, Medicare reimburses home health providers fixed amounts for 60-day episodes of care determined by home health resource group case-mix classifications on the basis of an initial OASIS assessment adjusted for regional labor cost differences. The Rule specifies that reimbursement will be 60% at the start of the first episode and 40% after the final claim with all adjustments have been transmitted. For subsequent episodes, the agency will be paid 50% at the start of the episode and 50% upon receipt of the final claim. Agencies must submit a Request for Anticipated Payment (RAP) after the first billable visit, which will trigger the initial payment. Adjustments will be allowed for low utilization, partial episodes, significant changes in condition, delivery of therapy services and other excessive cost situations. Additional submittals required include identification of the appropriate case mix group, source of admission, and a one-line universal bill submission.

The Standards for Electronic Transactions and Code Sets Final Rule published in the August 17, 2000 Federal Register became effective October 16, 2000. Congress enacted a one-year extension to this standard for covered providers who submit a compliance plan prior to October 16, 2002. The goal of this regulation is to simplify electronic transfer of data by requiring a single set of standards be used throughout the health care industry.

These changes to the Medicare payment system have required extensive changes to the manner in which home health care providers do business because they are required to reduce or manage the costs of care per episode so the costs will not exceed the allowed reimbursement, while maintaining the quality of medical outcomes required by the patient, the payer or other governmental regulatory and self-regulating organizations. Such changes have required extensive changes to CareCentric's software products, especially STAT2, The Smart Clipboard(R) and the MestaMed(R) HHA module.

In the Omnibus Consolidated and Emergency Supplemental Appropriation Act of 1999, the portions of the Balanced Budget Act of 1997 that were applicable to the reimbursement of home health care providers under Medicare were amended to:

- o defer the 15% additional funding cut until October 2000;
- o provide for three year extended payments of prior Medicare over-reimbursements with the first year interest-free;
- o eliminate the bundling of home medical equipment billings with home health agency billings; and
- o provide other minor relief.

These changes were intended to increase the cash flow of our customers and potential customers but do not provide the permanent relief sought by the industry. The non-bundling change eliminates an opportunity to sell the MestaMed(R) product, which has a software program that would facilitate such bundling of billing. This legislation will not require significant changes to our software programs.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000 established positive payment changes for home health agencies. These changes were:

- Additional delay in application of 15% reduction on payment limits for home health services until October 1, 2002;
- Restoration of full market basket update for home health services for fiscal year (FY) 2001;
- Temporary two-month periodic interim payment extension;
- Clarification in the use of telehealth in delivery of home health services;
- General Accounting Office (GAO) study on costs to home health agencies of purchasing non-routine medical supplies;
- Clarification of criteria for branch offices and a GAO study on supervision of home health care provided in rural areas;
- Clarification of the "Homebound" definition;
- Temporary 10% increase for home health services furnished in rural areas;
- Revisions to Medicare appeals process; and
- A full market basket update for home medical equipment for fiscal year 2001.

In 2002, the 15% reduction on payment limits for home health services took effect with episodes beginning on October 1, 2002. From 1998 to 2002 the home health industry was targeted for 16 billion dollars in reductions this number however climbed to 70 billion with the 15% reduction on October 1, 2002. The impact of these reductions certainly could affect the ability of CareCentric's customers to purchase new products and on new customers purchasing any product.

The Standards for Privacy of Individually Identifiable Health Information Final Rule issued on December 20, 2000 and modified on August 14, 2002 protects all patient records, including paper, electronic, and oral communications. The compliance date for the privacy standards is April 14, 2003.

The United States Food and Drug Administration is responsible for assuring the safety and effectiveness of medical devices under the Federal Food, Drug and Cosmetic Act administered by the Food and Drug Administration (FDA). Computer products are subject to regulation when they are used or are intended to be used in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment or prevention of disease, or are intended to affect the structure or function of the body. Although CareCentric believes that its systems are not subject to FDA regulation, the FDA could determine in the future that predictive applications of CareCentric's systems could make them clinical decision tools subject to FDA regulation. Compliance with FDA regulations could be burdensome, time consuming and expensive. CareCentric also could become subject to future legislation and regulations concerning the manufacture and marketing of medical devices and health care information systems. These could increase the costs and time necessary to market new systems and could affect CareCentric in other respects not presently foreseeable. CareCentric cannot predict the effect of possible future legislation and regulation.

EMPLOYEES

As of December 31, 2002, CareCentric employed 158 individuals. CareCentric believes that its future success depends in large part upon recruiting, motivating and retaining highly skilled and qualified employees in all aspects of CareCentric's business, especially product development. None of CareCentric's employees is represented by a labor union. CareCentric believes that its employee relations are good.

ITEM 2. PROPERTIES

CareCentric's principal executive offices are located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339. The principal executive offices consist of approximately 15,431 square feet. The lease on this space expires on

April 30, 2008.

CareCentric also leases office space for its operations in the following locations:

LOCATION	SQUARE FOOTAGE	LEASE EXPIRATION
Norcross, Georgia	19,704	May 31, 2003*
Pompano Beach, Florida	6,535	December 31, 2004
East Brunswick, New Jersey	1,082	August 31, 2005
Pittsburgh (Monroeville), Pennsylvania	24,308	September 30, 200

*CareCentric believes that its present facilities, excluding the Norcross facility, which will be vacated in May 31, 2003 in accordance with early lease termination rights with the landlord, are adequate to meet its current and foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS

Neither CareCentric nor any of its subsidiaries is currently a party to any legal proceedings which would be material to the business or financial condition of CareCentric on a consolidated basis.

Simione Central Holding, Inc., a subsidiary of CareCentric now known as SC Holding, Inc. ("SC Holding") was one of several defendants named in a "whistleblower" lawsuit related to alleged Medicare fraud filed under the False Claims Act in the Northern District of Georgia (U.S. ex re. McLendon v. Columbia/HCA Healthcare Corp., et al., No. 97-VC-0890 (N.D. Ga.)). The lawsuit involves alleged claims that SC Holding allegedly participated in a conspiracy with Columbia/HCA and other third parties to bill inflated and fraudulent claims to Medicare. On July 21, 1999, the Justice Department issued notice that it had elected not to join in the claims asserted against SC Holding by Donald McLendon, who is a former employee of an unrelated service provider to Columbia/HCA. Although the Justice Department joined the suit with regard to other defendants, it specifically declined to intervene with regard to SC Holding. In late 2000, CareCentric was advised by Mr. McLendon's attorney that notwithstanding the declination by the Justice Department, Mr. McLendon intends to pursue "whistleblower" claims against SC Holding directly. Through February 28, 2003, no such action has been taken and nothing further has been heard from McLendon's attorney for over one year. Management believes that this claim has been abandoned. In the event a claim is asserted, however, CareCentric and SC Holding intend to vigorously defend against it.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As more fully explained in Notes 1 and 2 to the Consolidated Financial Statements, MCS, Inc. is considered to have acquired Simione Central Holdings, Inc. on March 7, 2000, and the historical financial statements of the "Company" as discussed herein for periods prior to March 7, 2000 are therefore the historical financial statements of MCS, Inc. only, except where specifically noted.

The common stock of CareCentric has been traded on the Over the Counter Bulletin Board (OTCBB) since August 22, 2002 under the symbol CURA.OB. Between December 26, 2000 and August 21, 2002, the Company's common stock was traded on The Nasdaq Stock Market's SmallCap Market under the symbol CURA. From June 6,

2000 until December 26, 2000, the common stock traded on the Nasdaq SmallCap Market under the symbol SCHI. During March 2000, the common stock was traded temporarily under the symbol SCHID on Nasdaq to reflect the 1-for-5 reverse stock split.

As of March 10, 2003, CareCentric common stock was held by approximately 3,108 holders of record. For this purpose, stockholders whose shares are held by brokers on behalf of stockholders are not included.

The table below shows the reported quarterly high and low sales price for CareCentric common stock on the Nasdaq National Market, Nasdaq SmallCap Market and OTCBB for the periods after January 1, 2001. The information set forth below does not include retail mark-ups, markdowns or commissions.

	2002		2001	
	HIGH	LOW	HIGH	LOW
First Quarter	1.010	0.550	4.530	1.500
Second Quarter	0.800	0.400	3.000	1.630
Third Quarter	0.600	0.300	2.950	1.340
Fourth Quarter	0.700	0.230	1.700	0.460

CareCentric has never declared or paid cash dividends on CareCentric common stock. CareCentric currently intends to retain future earnings, if any, for future growth and does not anticipate paying any cash dividends in the foreseeable future. CareCentric's line of credit includes restrictions on the payment of dividends.

On January 29, 2003, CareCentric received an offer to merge with Borden Associates, Inc. In the proposed transaction, Borden would merge into CareCentric and purchase the shares of shareholders holding less than 4,000 shares for $0.55 per share. Each share of CareCentric common stock owned of record by a holder of 4,000 shares or more of CareCentric common stock will continue to represent one share of common stock after the merger. The outstanding shares of Borden Associates capital stock will, in the aggregate, be converted into the right to receive that number of shares of CareCentric common stock equal to the quotient of the total cash consideration paid to the holders of fewer than 4,000 shares of CareCentric common stock divided by the $0.55 per share price. CareCentric would remain the surviving entity. This transaction, if consummated, may result in the Company becoming private so that it would no longer be a reporting company under SEC regulations or be publicly traded on the OTC Bulletin Board. The Board of Directors is evaluating the proposal and has formed a special committee of independent directors, consisting of Winston R.

Hindle, Jr. and William J. Simione, Jr., to evaluate, respond or negotiate the proposal with the principals of Borden Associates. Borden Associates is an investment company formed for the purpose of this transaction and owned by John Reed, Stewart Reed and James Burk. John Reed and Stewart Reed are material shareholders of CareCentric and members of its Board of Directors. As of March 10, 2003, the special committee of the Board has selected legal counsel and an investment banking firm to assist in the special committee's review of the offer by Borden Associates.

EQUITY COMPENSATION PLAN INFORMATION

The following chart gives aggregate information regarding grants under all equity compensation plans of CareCentric through December 31, 2002.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights
Equity compensation plans approved by securityholders (1)	469,836	$ 5.03
Equity compensation plans not approved by securityholders (2)	108,453	20.75
Total	578,289	$ 7.55

(1) Represents options granted under the following plans, each of which was approved by shareholders: 1997 Non-Qualified Directors Stock Option Plan, and the Simione Central Holdings, Inc. 1997 Omnibus Equity-based Incentive Stock Option Plan, as amended.

(2) Represents non-plan options granted prior to December 31, 2002.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company. The selected consolidated financial data in the table as of and for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 are derived from the audited consolidated financial statements of the Company. As more fully explained in Note 1 to the Consolidated Financial Statements, MCS, Inc. is considered to have acquired Simione Central Holdings, Inc. on March 7, 2000, and the historical financial statements for periods prior to March 7, 2000 of the

"Company" as discussed herein are therefore the historical financial statements of MCS, Inc. only, except where specifically otherwise noted. On September 28, 2001 the Company discontinued its Consulting business segment and as more fully described in Note 2 of the Financial Statements, the results of the discontinued Consulting business have been separately presented in the Financial Statements. See Note 1 to Notes to Consolidated Financial Statements for information about the Company's history. The data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto of the Company included herein.

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SUMMARY OF OPERATIONS

	YEAR ENDED DECEMBER 31,			
	2002	2001	2000	1999
	(in thousands, except per share data)			
Net revenues:	$ 22,015	$ 20,446	$ 19,574	$ 16,648
Costs and expenses:				
Cost of revenues	6,408	8,217	8,478	10,563
Selling, general and administrative	9,770	10,715	10,756	4,077
Research and development	3,431	6,158	6,174	1,051
Amortization and depreciation	1,696	3,865	3,481	230
Write down of intangibles	-	11,799	-	-
Restructuring Charge	-	675	-	-
Total costs and expenses	21,305	41,429	28,889	15,921
Income (loss) from operations	710	(20,983)	(9,315)	727
Other income (expense) :				
Other (expense) income	250	-	(6)	-
Interest expense	(712)	(592)	(141)	-
Interest and other income	45	37	74	45
Income (loss) before taxes	293	(21,538)	(9,388)	772
Income tax benefit (expense)	-	(15)	154	(306)
Income (loss) from continuing operations	293	(21,553)	(9,234)	466
Discontinued operation				
Loss on disposal of discontinued operations	-	(2,632)	-	-
Income (loss) from operations of				

discontinued segment before taxes	-	(483)	(442)	251
Applicable tax expense				100
Income (loss) from operations and disposal of discontinued segment	-	(3,115)	(442)	151
Net income (loss)	$ 293	$ (24,668)	$ (9,676)	$ 617
Cumulative preferred dividends	(467)	(722)	(569)	-
Net income (loss) available to common shareholders	$ (174)	$ (25,390)	$(10,245)	$ 617
Net income (loss) per share - basic and diluted				
From continuing operations	$ 0.07	$ (5.06)	$ (2.70)	$ 0.31
Weighted average common shares --basic and diluted	4,371	4,272	3,418	1,490
From discontinued operations	-	$ (0.73)	$ (0.13)	$ 0.10
Weighted average common shares - basic and diluted	4,371	4,272	3,418	1,490
Net income (loss) per share - basic and diluted				
From operations	$ 0.07	$ (5.77)	$ (2.83)	$ 0.41
Weighted average common shares - basic and diluted	4,371	4,272	3,418	1,490
Net income (loss) per share - basic & diluted for common shareholders	$ (0.04)	$ (5.94)	$ (3.00)	$ 0.41
Weighted average common shares - basic and diluted	4,371	4,272	3,418	1,490

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SUMMARY OF FINANCIAL POSITION

	AS OF DECEMBER 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Cash and cash equivalents	$ 826	$ 201	$ 362	$ 47	$
Working capital (deficit)	(12,127)	(15,618)	(13,765)	(1,542)	(1,
Total Assets	11,907	12,808	35,120	6,696	5,
Long-term obligations	8,670	6,093	728	-	
Shareholders' equity (deficit)	$ (15,259)	$ (14,310)	$ 11,080	$ 505	$ (

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by such sections. When used in this report, the words "believe," "anticipate," "estimate," "expect," "plans," "intend," "likely," "will" and similar expressions are intended to identify forward-looking statements. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-K which address activities, events, or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, the successful development of its software products, the impact on the Company of actual or proposed regulatory changes, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, and other statements regarding future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, and expected future developments as well as other factors it believes are appropriate in the circumstances. The Company's future financial performance could differ significantly from that set forth herein, and from the expectations of management. Important factors that could cause the Company's financial performance to differ materially from past results and from those expressed in any forward looking statements include, without limitation, the inability to obtain additional capital resources, variability in quarterly operating results, customer concentration, product acceptance, long sales cycles, long and varying delivery cycles, the Company's dependence on business partners, emerging technological standards, changing regulatory standards, inability to retain or hire experienced and knowledgeable employees, risks associated with acquisitions, increased regulation of the health care industry, future consolidation of the health care industry, potential liability in connection with the Department of Labor investigation or IRS audit, the need to develop new and enhanced products, product delays and errors, competition, difficulty protecting intellectual property rights, and the risk factors detailed in the Company's Registration Statement on Form S-4 (File No. 333-96529) and in the Company's periodic reports filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements and the notes thereto. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

The following is a discussion of the consolidated financial condition and results of operation of the Company for the three years ended December 31, 2002 and certain factors that will affect the Company's financial condition. In these discussions, most percentages and dollar amounts have been rounded to aid presentation; as a result, all such figures are approximations. References to such approximations have generally been omitted.

As more fully explained in Notes 1 and 2 to the Consolidated Financial Statements, MCS, Inc. is considered to have acquired Simione Central Holdings, Inc. on March 7, 2000, and the historical financial statements of the "Company" as discussed herein for periods prior to march 7, 2002 are therefore the historical financial statements of MCS, Inc. only, except where specifically noted. Also as discussed in Note 2, the Company discontinued its Consulting business segment in September of 2001 and the operating results of the Consulting segment have been separately presented in the financial statements for the years 2001 and 2000 as a discontinued operation.

OVERVIEW

CareCentric, Inc. (formerly known as Simione Central Holdings, Inc.) ("CareCentric" or the "Company") is a leading provider of enterprise information technology systems and related services and consulting services designed to help home health care providers more effectively operate their businesses in today's environment. The Company's focus is to help home health care providers streamline their operations and better serve their patients. Currently, the Company is moving forward to leverage its long history and success to migrate its product solutions to new technology platforms that are currently in design. These new technology platforms are being designed to: create long term scalable technology platforms using state of the art technologies; streamline real-time customer service, shorten decision cycles for our customers; add new product solutions; and revolutionize customer options, while meeting the business requirements of the enterprises served. CareCentric currently offers several comprehensive software solutions. Each of these solutions provides a basic set of software applications and specialized modules which can be added based on customer demand. These software solutions are designed to enable customers to provide clinical care management, administrative, operating and financial solutions and payment processing efficiencies. In addition to its software solutions and related software support services, CareCentric's home health care consulting services assist providers in addressing the challenges of:

- reducing costs;
- regulatory compliance;
- maintaining quality;
- streamlining operations;
- re-engineering organizational structures; and
- leveraging best practice solutions
- accelerate payment reimbursement

CareCentric has over 1,500 customers nationwide in the following categories:

- hospital-based companies;
- home health care providers;
- alternate-site care organizations;
- home medical equipment providers;
- integrated delivery systems (IDN);
- home infusion therapy providers; and
- government-managed organizations
- respiratory service providers

The Company defines recurring revenues as revenues derived under software support agreements, whether annual or otherwise. These revenues were approximately $12.1 million, or 55.0% of total net revenues, for the year ended December 31, 2002, $11.3 million, or 55.1% of total net revenues, for the year ended December 31, 2001 and $12.5 million, or 57.1% of total net revenues, for the year ended December 31, 2000.

The Company believes that continued development and enhancement of its software systems are critical to its future success, and anticipates that the total amount of research and development expense will increase, but should decrease as a percentage of total net revenues as the Company increases its revenues. Costs incurred to establish the technological feasibility of computer software products are expensed as incurred. The Company's policy is to capitalize costs incurred between the point of establishing technological feasibility and general release only when such costs are material. For the years ended December 31, 2002, 2001 and 2000, the Company had no capitalized computer software and development costs.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was released by the Securities and Exchange Commission in December 2001, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of

financial statements. Note 1 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. The following is a brief discussion of the more significant accounting policies and methods used by us.

General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to the intangible assets, realization of deferred income taxes and the adequacy of allowances for returns and doubtful accounts. Actual amounts could differ significantly from these estimates.

Our critical accounting policies are as follows:

- revenue recognition;
- estimate of allowance for uncollectible accounts; and
- valuation of long-lived and intangible assets and goodwill.

Revenue Recognition

The Company sells its software pursuant to non-exclusive license agreements which provide for the payment of a one-time license fee. In accordance with the American Institute of Certified Public Accountants Statement of Position 97-2, "Revenue Recognition," these revenues are recognized when products are delivered and the collectability of fees is probable, provided that no significant obligations remain under the contract. Revenues derived from the sale of software products not requiring significant modification or customization are recognized when products are delivered and collectability of fees is probable, provided that no significant obligations remain under the contract. The price of the Company's software varies depending on the number of software modules licensed and the number of users accessing the system and can range from under ten thousand dollars to a few million dollars. The Company generally requires payment of a deposit upon the signing of a customer order as well as certain additional payments prior to delivery. As a result, the Company's balance sheet reflects significant customer deposits.

Third-party software and computer hardware revenues are recognized when the related products are shipped. Software support agreements are generally renewable for one-year periods, and revenue derived from such agreements is recognized ratably over the period of the agreements. The Company has historically maintained high renewal rates with respect to its software support agreements. The Company generally charges for software implementation, training and technical consulting services as well as management consulting services on an hourly or daily basis. The Company is now offering "tiered pricing" for implementation of new systems whereby the customer pays a fixed fee for a certain level of packaged services and daily fees for services beyond the package. Revenue is recognized for instances where tiered pricing is used according to separately defined portions of service and software as those portions are completely delivered to the customer.

Revenues for post-contract customer support are recognized ratably over the term of the support period, which is typically one year. Post contract customer support fees typically cover incremental product enhancements, regulatory updates and correction of software errors. Separate fees are charged for significant product enhancements, new software modules, additional users, and migrations to different operating system platforms.

Estimate of Allowance for Uncollectible Accounts

The Company continuously reviews the status of all its accounts receivable with its customers for current collectability. The Company recognizes that there are circumstances under which customers will delay payment beyond the terms offered by the Company either because of their own payment practices or temporary situations which need to be resolved before the customer will continue payment. Reserves for uncollectability are based on various ages of those accounts receivable past their original due date for collection. The Company does not write the account off against the reserve for uncollectible account until all efforts to collect the accounts receivable have been exhausted.

Valuation of Long-Lived and Intangible Assets and Goodwill.

The Company assesses the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of the Company's use of the acquired assets or the strategy for its overall business;
- significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles, long-lived assets and related goodwill and enterprise level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company measures any impairment based on a projected discounted cash flow method using a discount rate (20%) determined by our management to be commensurate with the risk inherent in our current business model. As of December 31, 2002 no event or business situation had been identified which indicated the carrying value of the intangibles and long-lived assets and related goodwill and enterprise level of goodwill should be adjusted. As of December 31, 2001, a $11.8 million impairment adjustment was recorded resulting in net intangible assets amounting to $5.4 million as of December 31, 2001. See Note 7 of the Notes to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

EFFECT OF REVERSE MERGER AND DISCONTINUED OPERATIONS ON MANAGEMENT DISCUSSION AND ANALYSIS

On March 7, 2000, CareCentric, Inc. (formerly known as Simione Central Holdings Inc.) ("CareCentric") and MCS, Inc. ("MCS") merged in a transaction ("the CareCentric/MCS merger," also set forth above as "the MCS/Simione merger") accounted for as a reverse acquisition for financial reporting purposes. As more fully discussed in Note 1 of the accompanying Financial Statements, the 2002 and 2001 Statements of Operations present a full year of the combined results of operations of the former Simione Central Holdings, Inc./MCS businesses. The 2000 Statement of Operations presents a full year of MCS results of operations combined with the results of operations for the former Simione Central Holdings, Inc. since March 7, 2000. Because of these differences in the accompanying Financial Statements, comparison of the results of operations of the Company as reported would be misleading, if not meaningless.

To present a more meaningful analysis of operating performance, the comparison of the years ended December 31, 2001 and 2000 compares the 2001 reported Financial Statements in the accompanying Financial Statements to a proforma 2000 statement of operating results which combines the former Simione Central Holdings Inc. business with MCS as if the merger had occurred on January 1, 2000.

In addition to the proforma information discussed in the paragraph immediately above, the following comparison of the years ended December 31, 2002, 2001 and 2000 have been prepared after reduction in the years 2001 and 2000 for the discontinued operations of the Consulting segment of Simione Central Holdings, Inc. in September of 2001. See Note 2 to the accompanying Financial Statements.

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COMPARISON OF YEARS ENDED DECEMBER 31, 2002 AND 2001

Net Revenues. Revenues (exclusive of the Consulting segment which was discontinued in September 2001) were $22.0 million for the twelve months ended December 31, 2002 and $20.4 million for the twelve months ended December 31, 2001. The $1.6 million increase was mostly attributable to an increase in maintenance revenues of $0.7 million to $12.1 million in 2002 from $11.4 million in 2001, and an increase in revenues from software systems of $0.7 million to $6.8 million for the twelve months ended December 31, 2002 from $6.1 million for the twelve months ended December 31, 2001.

The Company believes these increases in revenues are attributable generally to the combined effect of continued customer account retention, growth of existing customer's businesses and price increases. The Company also recognizes the importance of successfully introducing new products using more current technologies and plans to continue to develop and invest in new products in 2003 and beyond.

Cost of Revenues. Cost of revenues decreased $1.8 million, or 22.0%, to

$6.4 million in 2002 from $8.2 million in 2001. As a percentage of total net revenues, cost of revenues decreased to 29.1% in 2002 from 40.2% in 2001. The $1.8 million decrease resulted primarily from cost cutting combined with changes in product mix. The decrease as a percentage of total net revenues is due to the combined impact of many factors including efficiencies in installation and support costs resulting from the merger with MCS, reduced sales discounts and changes in product mix.

Selling, General and Administrative. Selling, general and administrative expenses decreased $0.9 million, or 8.8%, to $9.8 million in 2002 from $10.7 million in 2001. As a percentage of total net revenues, selling, general and administrative expenses were 44.4% in 2002 and 52.4% in 2001. This dollar decrease was attributable to synergies derived from the merger with MCS in March 2000 and cost savings initiatives completed in 2002. Cost savings were primarily realized through the centralization of administrative functions and elimination of non-essential facilities.

Research and Development. Research and development expenses decreased approximately $2.7 million, or 44.3%, to $3.4 million in 2002 from $6.2 million in 2001. As a percentage of total net revenues, research and development expenses decreased to 15.6% in 2002 from 30.1% in 2001. The reduction in research and development expenses in 2002 was primarily due to efforts to reduce overall expenses while revamping the Company's overall product strategies. The Company expects research and development costs to increase in 2003 to a level between the 2002 and 2001 reported expenditures and percentages of total net revenues.

Amortization and Depreciation. Amortization and depreciation decreased by approximately $2.2 million to $1.7 million in 2002 from $3.9 million in 2001. This decrease is attributable to the write down of the Intangibles at December 31, 2001 in accordance with SFAS No. 121 of $11.8 million.

Operating Loss. The Company's operating income from continuing operations improved from a loss of $21.0 million for the twelve months ended December 31, 2001 to a profit of $0.7 million for the twelve months ended December 31, 2002. This increase resulted from the combined effect of increases in sales, improved gross profit margins and reductions in all reported operating expense categories.

Other Income (Expense). Interest expense related to borrowings under the Company's line of credit agreements and capital lease obligations decreased by approximately $0.6 million to $0.7 million for the twelve months ended December 31, 2002 from $1.3 million for the twelve months ended December 31, 2001. The Company expects interest expense in 2003 to be comparable to that of 2002. Interest and other income consist principally of interest income related to customer finance charges. The Company's short-term cash investments were materially unchanged at $45,000 and $37,000 for the years ended December 31, 2002 and December 31, 2001 respectively.

Income Taxes. The Company has not incurred or paid any substantial income taxes since March 2000. At December 31, 2002, CareCentric had net operating loss ("NOL") carryforwards for federal and state income tax purposes of $38.5

million. Such losses expire beginning in 2008, if not utilized. The Tax Reform Act of 1986, as amended, contains provisions that limit the NOL and tax credit carryforwards available to be used in any given year when certain events occur, including additional sales of equity securities and other changes in ownership. As a result, certain of the NOL carryforwards may be limited as to their utilization in any year. The Company has concluded that it is more likely than not that these NOL carryforwards will not be realized based on a weighing of available evidence at December 31, 2002, and accordingly, a 100% deferred tax valuation allowance has been recorded against these assets. See Note 10 to the accompanying Financial Statements.

COMPARISON OF YEARS ENDED DECEMBER 31, 2001 AND 2000

Net Revenues. Revenues, exclusive of the Consulting segment which was discontinued in September 2001, were $20.4 million for the twelve months ended December 31, 2001 and $21.9 million for the twelve months ended December 31, 2000. The $1.5 million decrease was mainly attributable to a reduction in maintenance revenues of $1.1 million to $11.4 million in 2001 from $12.5 million in 2000. Revenues from software systems was unchanged at $9.5 million in both 2001 and 2000.

The Company believes the reduction in revenues was attributable generally to adverse economic conditions prevailing in the home healthcare marketplace. Additionally, the Company believes certain customers were reluctant to invest in existing software systems while new products with technologically advanced platforms were under initial development..

Cost of Revenues. Cost of revenues decreased $1.0 million, or 11.1%, to $8.2 million in 2001 from $9.2 million in 2000. As a percentage of total net revenues, cost of revenues decreased to 40.2% in 2001 from 42.3% in 2000. The $1.0 million decrease resulted primarily from cost cutting, product mix and a slight decrease in revenues for software systems. The decrease as a percentage of total net revenues is due to the combined impact of many factors including efficiencies in installation and support costs resulting from the merger with MCS, reduced sales discounts and changes in product mix.

Selling, General and Administrative. Selling, general and administrative expenses decreased $1.5 million, or 12.3%, to $10.7 million in 2001 from $12.2 million in 2000. As a percentage of total net revenues, selling, general and administrative expenses were 52.4% in 2001 and 55.8% in 2000. This dollar decrease was attributable to synergies derived from the merger and cost savings initiatives implemented in 2000 and continued in 2001. Cost savings were primarily realized through the centralization of administrative functions and elimination of non-essential facilities and excess capacity.

Research and Development. Research and development expenses decreased approximately $0.8 million, or 11.4%, to $6.2 million in 2001 from $6.9 million in 2000. As a percentage of total net revenues, research and development expenses decreased to 30.1% in 2001 from 31.8% in 2000. The continued high expenditure of research and development funds was attributable to development effort on all continuing products, but especially for Smart Clipboard(R), PharmMed(R) and HM Express(TM).

Amortization and Depreciation. Amortization and depreciation decreased by approximately $0.3 million to $3.9 million in 2001 from $4.2 million in 2000. This decrease is attributable to the net effect in preparing these Proforma comparisons eliminating the discontinued consulting business and the amortization and depreciation expense of MCS from January 1 2000 through March 7, 2000, the MCS merger date. See Note 6 and Note 7 to the accompanying Financial Statements.

Impairment Loss - Intangible Assets. As more fully discussed in Note 7 to the Financial Statements, and in accordance with Financial Accounting Standard 121, the Company is required to periodically review the value of its intangible assets. The Company's intangible assets were capitalized in conjunction with the MCS merger on March 7, 2000. At the end of the fourth quarter of 2001, that review resulted in an $11.8 million write down, or impairment loss, of the intangible assets of the Company. The major reasons for the impairment were new technologies being integrated in the Company's current and future products causing its existing product platforms to have smaller future revenue generation

capability, and an expectation that immediate opportunities for new software sales were lower than forecasted at the time of the merger with MCS.

Restructuring Charge. The restructuring charge of $675,000 resulted from the Company approving a plan in April 2001 to close one remote support office and to downsize the workforce at its remaining facilities. As of December 31, 2001, that plan was fully completed and the restructuring charge was completely expended.

Operating Loss. The Company's operating loss from continuing operations, reflecting the same assumptions as above for purposes of comparability, increased from $10.8 million for the twelve months ended December 31, 2000 to $21.5 for the twelve months ended December 31, 2001. Without the impact of the Impairment Loss - Intangible Assets, the operating loss from continuing operations decreased from $10.8 million for the twelve months ended December 31, 2000 to $9.7 million for the twelve months ended December 31, 2001. This decrease in operating loss from continuing operations, before impairment loss, is primarily due to the reductions in selling general and administrative expenses. Additionally, continued high levels of research and development expenditures over the last two years are a material cause of the recurring operating loss from continuing operations.

Other Income (Expense). Interest expense related to borrowings under the Company's line of credit agreements and capital lease obligations increased by approximately $0.5 million to $1.3 million for the twelve months ended December 31, 2001 from $0.8 million for the twelve months ended December 31, 2000. Interest and other income consist principally of interest income related to customer finance charges and the Company's short term cash investments and have decreased by approximately $31,000. The Company expects further increases in interest expense in 2002 due to increased borrowing.

Income Taxes. The Company has not incurred or paid any substantial income taxes since March 2000. At December 31, 2001, CareCentric had net operating loss ("NOL") carryforwards for federal and state income tax purposes of $36.7 million. Such losses expire beginning in 2010, if not utilized. The Tax Reform Act of 1986, as amended, contains provisions that limit the NOL and tax credit carryforwards available to be used in any given year when certain events occur, including additional sales of equity securities and other changes in ownership. As a result, certain of the NOL carryforwards may be limited as to their utilization in any year. The Company has concluded that it is more likely than not that these NOL carryforwards will not be realized based on a weighing of available evidence at December 31, 2001, and accordingly, a 100% deferred tax valuation allowance has been recorded against these assets. See Note 10 to the accompanying Financial Statements.

The income tax benefit of $154,000 reflected in the accompanying Financial Statements for 2000 relates primarily to losses incurred by MCS between January 1, 2000 and March 7, 2000 while it was a subsidiary of Mestek. The income tax benefit arises from the inclusion of MCS's results for this period in Mestek's consolidated federal and state income tax filings for 2000.

Loss on Discontinued Operations. As more fully described in Note 7 of the accompanying Financial Statements, the Company completed the sale of certain assets of the Consulting business segment and discontinued its Consulting business on September 28, 2001. The loss from the discontinuance of the business was $3.1 million, which resulted mainly from the write off of $2.6 million of intangible assets recorded as associated with the Consulting business at the time of the merger with MCS.

Loss from Operations of Discontinued Segment. The loss of ($483,000) for the twelve months ended December 31, 2001 from operations of the discontinued Consulting segment compares to a (loss) for the twelve months ended December 31, 2000 of ($442,000).

QUARTERLY FINANCIAL RESULTS

The Company's quarterly operating results have been and will likely continue to be subject to significant fluctuations. Revenues can be expected to vary significantly as a result of the acceleration or delay of system implementations due to customer requirements or other factors beyond the Company's control, fluctuations in demand for existing systems and services and the Company's ability to manage successfully any future growth. The sales cycles

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related to its systems offerings can be long and difficult to predict, resulting in variability of revenues. In addition, the implementation period related to new installations of the Company's information systems can range from a few months to one year while add-ons can occur more quickly. The unpredictability of revenues could in any quarter result in a shortfall relative to quarterly expectations. Many other factors may contribute to fluctuations in the Company's operating results. Accordingly, the Company believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance.

LIQUIDITY AND CAPITAL RESOURCES

In November 1999, CareCentric, prior to the merger with MCS and when its pre-merger name was Simione Central Holdings, Inc. (Simione), received $1.6 million of loans from Mestek ($850,000) and two stockholders of Simione ($750,000), Barrett C. O'Donnell and David Ellis, to fund operating needs and continue the execution of product strategies in the fourth quarter of 1999. The $850,000 loan from Mestek was converted into 850,000 shares of newly issued Series C Preferred stock of Simione at the closing of the MCS merger having 170,000 common shares votes and which were entitled to an 11.0% annual cumulative dividend. The loan from Mr. O'Donnell along with $100,000 in deferred salary were exchanged for a $600,000 subordinated note, convertible into common stock at $2.51 per share, with interest at 9% per annum and a maturity date of August 8, 2005. In January 2002, this loan was amended to change the interest rate to prime plus two percent and to change the terms of payment of interest for 2002 to require that one-half of the accrued interest be timely paid each quarter and the balance to be paid on December 31, 2003 or to be converted into an additional convertible note. The loan from Dr. Ellis was paid in full on July 12, 2000 from the credit facility provided by Wainwright Bank and Trust Company. See Note 6 to the accompanying Consolidated Financial Statements.

In February 2000, Simione received an additional $1.0 million of loan proceeds from Mestek. The loan proceeds were used to fund Simione's operating needs until completion of the merger with MCS, and carried the same terms and security as a $3.0 million loan received from Mestek in September 1999. On March 7, 2000, the merger with MCS was completed and Mestek's notes evidencing the $1.0 million and $3.0 million loans, together with an additional $2.0 million in cash from Mestek, were converted into Series B Preferred Stock and a warrant to purchase CareCentric common stock as more fully explained in Note 6 to the accompanying Consolidated Financial Statements. The consolidation of the accounts receivable of MCS into the then outstanding balance of Simione's accounts receivable provided an additional $1.5 million of borrowing capacity on the $5.0 million bank line of credit established by Simione in September 1999.

Immediately after the Simione/MCS merger on March 7, 2000, the Company had cash and cash equivalents of $3.5 million and short and long term debt from all sources of $2.5 million, for a positive net cash/(debt) position of approximately $1.0 million. In order to supplement its capital resources, the Company, subsequent to the merger, undertook a search for additional capital resources. On June 22, 2000, the Company closed a financing with John E. Reed, a CareCentric director and the chief executive officer of Mestek, of up to $7 million. The financing consisted of $1 million in equity, and a $6 million subordinated revolving line of credit facility, convertible into common stock of CareCentric, with a 9% interest rate and five-year maturity. On July 12, 2000, the Company closed a financing with Wainwright Bank and Trust Company for access to a $6.0 million revolving line of credit, which was guaranteed by Mestek, Inc. These three transactions are described in greater detail in Note 6 to the accompanying Consolidated Financial Statements and resulted in the creation of the following credit and debt facilities and preferred equity securities:

CREDIT AND DEBT AND PREFERRED EQUITY SECURITIES IN JULY 2000

SOURCE	FUNDING	FORM	
Barrett C. O'Donnell	$ 600,000	Convertible Note	Nov
Mestek, Inc.	$ 6,000,000	Convertible Preferred Stock Series B; 9% cumulative dividend	M
Mestek, Inc.	$ 850,000	Preferred Stock Series C; 11% cumulative dividend	M
John E. Reed	$ 1,000,000	Convertible Preferred Stock Series D; 9% cumulative dividend	J
John E. Reed	$ 6,000,000	Line of Credit	J
Wainwright Bank and Trust Company	$ 6,000,000	Line of Credit	J
	$ 20,450,000		

Throughout 2000 and 2001, advances were made on the John E. Reed line of credit such that on December 31, 2001, the outstanding amount under the Credit Facility was $3.5 million, $1.0 million of which was participated to Mestek, and the balance of which was retained by Mr. Reed. On December 31, 2001, the facility was amended to change the interest rate to prime plus two percent, to change the payment terms for unpaid 2001 interest to require payment at December 31, 2003 or to convert the outstanding unpaid interest to additional convertible notes in the amount of $184,438 at the option of Mr. Reed, and in the amount of

$40,463 at the option of Mestek, and to change the terms of payment of interest for 2002 to require that one-half be timely paid each quarter and the balance to be paid on December 31, 2003 or to be converted to additional convertible notes.

During 2000 and 2001, the Company became obligated under an 18 month unsecured promissory note in the principal amount of $1,019,000 payable to Mestek which earned interest at prime plus one and one half percent (1.5%), with interest payable semiannually and which matured on September 30, 2003. This note covers funds advanced by Mestek to CareCentric to cover payroll and accounts payable obligations incurred by the Company during the period of its transition of senior lenders from Silicon Valley Bank to Wainwright Bank and Trust Company, accrued and unpaid interest thereon and the unreimbursed portion of Mr. R. Bruce Dewey's salary for the periods from November 9, 1999 to October 31, 2001.

Also during 2000, 2001 and the first quarter of 2002, the Company incurred operating losses resulting from numerous factors, including the uncertain operating condition of its customers due to the negative effects of the current government limits over home medical cost reimbursement, higher than anticipated costs of developing, implementing and supporting The Smart Clipboard(R) product and slower than expected completion of effective integration of the MCS and Simione Central organizations. In addition, sales revenue in 2000 was lower than planned in the core MestaMed(R), DME VI and STAT2 products while new sales of The Smart Clipboard(R) and Tropical products (now discontinued) did not develop as quickly as projected.

On April 8, 2002, the Company secured two commitments for additional financing, from existing shareholders John Reed and Mestek, Inc. Mr. Reed and Mestek provided $871,117 and $1,092,000 in short-term debt financing, respectively.

Also on April 8, 2002, the Company initialized a recapitalization of its interest bearing debt and preferred equity instruments. The recapitalization plan was approved by the Company's shareholders at the June 6, 2002 annual stockholders meeting and completed on July 1, 2002. See Notes 6 and 8 to the accompanying Financial Statements for the impact of the recapitalization plan on

each class of debt and preferred stock. As of December 31, 2002, and including the effect of the completed recapitalization plan, the Company's credit and debt facilities and related preferred equity securities consisted of the following:

CREDIT AND DEBT AND PREFERRED EQUITY SECURITIES AT DECEMBER 31, 2002

SOURCE	FUNDING	FORM	
Barrett C. O'Donnell	$ 600,000	Convertible Note maturing June 30, 2007	No
Mestek, Inc.	$ 6,000,000	Convertible Preferred Stock Series B; 9% cumulative dividend	
John E. Reed	$ 1,000,000	Convertible Preferred Stock Series D; 9% cumulative dividend	

Mestek, Inc.	$ 4,000,000	Convertible deferred interest Note maturing June 30, 2007
John E. Reed	$ 3,555,555	Convertible deferred interest Note maturing June 30, 2007
John E. Reed	$ 103,818	Capitalized deferred interest Note maturing June 30, 2007
Wainwright Bank and Trust Company	$ 6,000,000	Line of Credit
	$ 21,259,373	

The John E. Reed and Mestek, Inc. debt and equity amounts have all been fully funded to the Company as of December 31, 2002. Between July 1, 2002 and December 31, 2002, the Company paid off $1.4 million of the Wainwright Bank and Trust Company line of credit resulting in an outstanding balance of $4.5 million at December 31, 2002.

During the months of January and February of 2003, the Company has paid off an additional $0.3 million on the Wainwright Bank line of credit, resulting in $1.8 million of unused credit capacity as of February 28, 2003. The Company believes the combination of the funds available from cash to be generated from future operations and the Wainwright Bank facility will be sufficient to meet the Company's operating requirements through at least December 31, 2003, assuming no material adverse change in the operation of the Company's business. See also Note 17 to the Financial Statements.

The table below summarizes the Company's debt and other contractual obligations at December 31, 2002:

	PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4 - 6 YEARS
Long-Term Debt	$ 8,520,000	$ -	$ -	$ 8,520,
Capital Lease Obligations	-	-	-	
Operating Leases	2,647,000	744,000	1,300,000	603,
Line of Credit	4,525,000	4,525,000	-	
Other Long-Term Obligations	1,252,000	1,102,000	150,000	
Total Contractual Cash Obligations	$ 16,944,000	$ 6,371,000	$ 1,450,000	$ 9,123,

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As of December 31, 2002, the Company had negative working capital of $12.1 million and cash equivalents of $0.8 million. The Company's current liabilities as of December 31, 2002 include customer deposits of $1.5 million and unearned revenues of $4.2 million.

Net cash provided by (used in) operating activities for the years ended December 31, 2002, 2001 and 2000 was ($0.8) million, ($3.9) million and ($7.2) million, respectively. Cash used in 2002 principally funded operating losses which occurred in the first quarter of 2002. The significant reductions in negative cash flow from operations during the three years ended December 31, 2000 to December 31, 2002 have greatly improved the Company's ability to maintain the liquidity it needs to manage its business. The improvement in cash flow is the result of reductions in all reported areas of operating expense including cost of revenues, selling, general and administrative expenses and research and development. These reduced expenses, as more specifically discussed in Management's Discussion and Analysis of Operations, have resulted from cost efficiencies derived from the merger of MCS, Inc. and Simione Central Holdings, Inc., more efficient use of research and development resources combined with active efforts by the Company to license the rights to sell non-Company developed software, and stringent cost control procedures by the reorganized management team during 2002. Management of the Company expects these same actions to be continued such that the improved cash liquidity of the Company is repeated with the intent to direct this liquidity at future product initiatives.

Cash flows from financing activities during the twelve months ended December 31, 2002 include John E. Reed and Mestek, Inc. borrowings made before the recapitalization plan was completed on July 1, 2002. During the twelve months ended December 31, 2002, the Company achieved a net reduction in the Wainwright Line of Credit outstanding of $1.1 million.

Inflation has not had, and is not expected to have, a material impact on the Company's operations. If inflation increases, the Company will attempt to increase its prices to offset increased expenses. No assurance can be given, however, that the Company will be able to adequately increase its prices in response to inflation.

IMPACT OF NEW ACCOUNTING STANDARDS

On December 3, 1999, the SEC released Staff Accounting Bulletin 101, (SAB 101) "Revenue Recognition in Financial Statements." This bulletin established more clearly defined revenue recognition criteria than previously existing accounting pronouncements. On June 26, 2000, the SEC released SAB 101B, which delayed the required implementation of SAB 101 until no later than the fourth quarter of fiscal years ending December 31, 2000. The effects of this bulletin were not material to the Company's financial position, results of operations or cash flow.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 addresses financial accounting and reporting for all business combinations and requires that all business combinations entered into subsequent to June 2001 be recorded under the purchase method. This statement also addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. SFAS No. 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets at acquisition. This statement also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. These statements were adopted by the Company on January 1, 2002. Under SFAS 142, goodwill is no longer amortized. In the place of amortization, the Company is required to periodically review the valuation of the Company's intangible assets using a discounted cash flow estimation approach. Following the accounting for impairment discussed immediately below, which was made under the rules of SFAS 121, the Company believes that the effect of adopting SFAS No. 141 and 142 will be limited to changes in amortization expense for the periods after December 31, 2001. Prior to adoption of SFAS No. 142, the Company had an intangible asset classified as Assembled workforce valued at $500,000 after accounting for impairment discussed immediately below. The assembled workforce intangible asset has been recharacterized as goodwill, under the rules of SFAS No. 142, which will not be amortized. There has been no event or indicator identified by the Company through February 28, 2003 which

indicates there has been any impairment in the $500,000 value of Goodwill included in the Company's Statement of Financial Condition for the year ended December 31, 2002.

Accounting for impairment. For the years ended December 31, 2001 and 2000, the Company reported its accounting for intangible assets under SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30. Under the rules of SFAS 121, the Company performed periodic analysis to determine if the Company's intangible assets had been impaired using a combination of discounted and undiscounted estimated cash flow estimations. In the fourth quarter of 2001, the Company determined that the combination of new technologies being integrated in the Company's current and future products would result in its existing product platforms having smaller future revenue generation capability. Additionally, the Company determined that the continued support of existing products while migrating to new technology platforms would result in a lower estimated cash value to the Company of existing products. The resulting impairment to the intangible assets of the Company was $11.8 million. See Note 7 of the Financial Statements.

On October 3, 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," that replaced SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." The primary objectives of this project were to develop one accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sales and to address significant implementation issues. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of Account Principles Board (APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to see whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The effect of adoption of SFAS No. 144 effective January 1, 2002 had no material to the Company's financial position, results of operations or cash flow.

On December 31, 2002, FASB issued FASB No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for companies that voluntarily change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of FASB No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company does not believe FAS 148 will have a material effect on its financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2002, the Company's obligations include fixed rate notes payable and a variable rate line of credit bank note with aggregate principal balances of approximately $13.0 million which mature at various dates through 2005. The Company is exposed to the market risk of significant increases in future interest rates. Each incremental point in the prime interest rate would increase the Company's interest expense by approximately $45,000 per year.

At December 31, 2002, the Company had accounts receivable of approximately $4.6 million (net of an allowance for doubtful accounts of $1.3 million). These amounts compare to accounts receivable of approximately $4.2 million (net of an allowance for doubtful accounts of $1.0 million) at December 31, 2001. The Company is subject to a concentration of credit risk because most of the accounts receivable are due from companies in the home health care industry.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial Statements and Supplementary Data appear on pages 47 to 77 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AMD EXECUTIVE OFFICERS OF THE COMPANY

EXECUTIVE MANAGEMENT OF THE REGISTRANT

John R. Festa....................	51	Chief Executive Officer, President and Director
Mark A. Kulik....................	45	Senior Vice President of Sales and Marketing
Michael Quinn....................	49	Senior Vice President of Operations
Ana M. McGary....................	41	Senior Vice President of Human Resources and Administration
George M. Hare...................	48	Senior Vice President and Chief Financial Officer

John R. Festa became President and Chief Executive Officer of the Company on November 1, 2001. Prior to joining the Company, Mr. Festa served as Managing Director and General Partner of the EGL III venture capital funds, an Atlanta-based family of venture investment firms. Prior to founding the EGL III Funds in 1999 with his partners, Mr. Festa was President and CEO of Iterated Systems, a software manufacturer of high-end image and image asset management products, from 1994 to 1998 and President and CEO of BuyPass Corporation, a national leader in software and processing systems for all forms of transaction payments and medical claims processing from 1984 to 1994. Prior to 1984, Mr. Festa held various senior positions in American Express Company and Citicorp.

Mark A. Kulik became Senior Vice President of Sales and Marketing of CareCentric in October 2000. Mr. Kulik has spent the majority of his 21-year career in the healthcare industry including hospital supply distribution, home health care, home medical equipment, home infusion, and healthcare information management. Prior to joining CareCentric, Mr. Kulik served as Executive Vice President for several health care management and information service companies, the most recent being Healthcare Credentials Management Services from December 1998 to February 2000 and Equifax Healthcare Information Services from July 1994 to December 1998. Earlier in his career, he served as Area Vice-President for Abbey/Foster Medical, Inc. from July 1986 to February 1991.

Michael Quinn served as Senior Vice President of Operations of MCS, Inc. since 1985 and became an officer of CareCentric upon the merger with MCS, Inc. when he became Senior Vice President of Operations, responsible for corporate resources and customer support. He was a director of MCS, Inc. from 1992 until

the merger with Simione. From 1977 to 1985, Mr. Quinn worked in various programming and sales capacities for MCS, Inc. and its parent company supervising sales, product development and product support.

Ana M. McGary has served as Senior Vice President of Human Resources and Administration of CareCentric since April 1999. Ms. McGary is responsible for all aspects of human resource employee and management development. In August of 2000 Ms. McGary was elected Secretary of the Company. From 1992 until 1999, Ms. McGary managed human resources for several business units of First Data Corporation. She has led and managed many recruiting and training teams for various companies through the U.S. Her experience includes company culture transformations, strategic planning and senior management development. In 1999, she received her Professional Human Resource Certification (PHR) from Kennesaw State University in Marietta, Georgia. She is a member of the Society for Human Resources Management and the American Society of Corporate Secretaries.

George M. Hare has served as Senior Vice President and Chief Financial Officer of CareCentric, Inc. since April 2002. Mr. Hare previously served as Chief Financial Officer of the Company from March 1999 until April 2000. Prior to joining CareCentric in April 2002, Mr. Hare was a Partner with Tatum CFO Partners, LLP. Prior to Tatum, he was a Vice President of ADT Security Systems, Inc. where he was heavily involved in business development and business turnaround activities. He previously held positions in strategic planning, logistics management and financial planning for Campbell Soup Company. Additionally, Mr. Hare's business experience has included operating responsibilities for businesses in Europe, Australia, and the United States in various industries including manufacturing, distribution, labor intensive services and start-ups. Mr. Hare has an MBA from Lehigh University and is a CPA in the state of Pennsylvania.

DIRECTORS OF THE REGISTRANT

Dr. David O. Ellis, age 61, has been a director of CareCentric since March 7, 2000. Dr. Ellis is President and a director of EGL Holdings, Inc., an Atlanta-based merchant banking group providing investment services and capital to United States middle market companies. He has been with EGL and its predecessor company, Corporate Finance Associates, since 1982. Dr. Ellis is currently a director of several privately held companies.

John R. Festa, age 51, became a director of CareCentric by appointment of the Board of Directors of the Company on November 28, 2001. He was appointed

President and Chief Executive Officer on November 1, 2001. Prior to joining CareCentric, Mr. Festa served as Managing Director and General Partner at EGL III, LLC, as President and Chief Executive Officer of two software companies, Buypass Corporation and Iterated Systems, and as a senior executive with the Information Processing Group of American Express. He remains a director of Iterated Systems.

Winston R. Hindle, Jr., age 72, became a director of CareCentric on March 7, 2000 upon the closing of the MCS/Simione merger pursuant to the terms of the Merger Agreement. Mr. Hindle has been a director of Mestek since 1994. Mr. Hindle was Senior Vice President of Digital Equipment Corporation, Maynard, Massachusetts, prior to his retirement in July 1994. In his 32 years with Digital, he managed both corporate functions and business units and was a member of Digital's Executive Committee. Mr. Hindle was a director of MCS, Inc. from 1994 until the date of the MCS merger in March 2000. Mr. Hindle is also a director of Keane, Inc., of Boston, Massachusetts.

Barrett C. O'Donnell, age 49, became a director of CareCentric (then Simione Central Holdings, Inc.) in October 1996. He served as Chairman of the Board of Directors of the Company from June 15, 1998 to August 8, 2000, and served as Chief Executive Officer and President from June 15, 1998 to September 9, 1999. From October 1992 until October 1996, Mr. O'Donnell served as Chairman of the Board of InfoMed Holdings, Inc., a Delaware corporation that merged with Simione Central Holding, Inc., a Georgia corporation, to form Simione effective October 8, 1996. Mr. O'Donnell also served as Chief Executive Officer of InfoMed from November 1994 to October 1996. From 1978 to present, Mr. O'Donnell has been Chairman of the Board, President and Chief Executive Officer of O'Donnell Davis, Inc., which is in the consulting and investment advisory services business.

John E. Reed, age 87, became a director of CareCentric on March 7, 2000 upon the closing of the MCS/Simione merger pursuant to the terms of the Merger Agreement. He became Chairman of the Board of Directors of the Company on August

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8, 2000. Mr. Reed had been the Chairman of the Board of MCS from 1986 to the date of the MCS/Simione merger. Mr. Reed has been a director of Mestek since 1986 and Chairman of the Board since 1989. From 1986 until 2001 he was President, and he has been Chief Executive Officer from 1986 to the present, of Mestek, Inc. Prior to the 1986 merger of Mestek, Inc. and Reed National Corp., Mr. Reed was President and Chief Executive Officer of Reed National since he founded it in 1946. Mr. Reed is also a director of Wainwright Bank & Trust Co., Boston, Massachusetts.

Stewart B. Reed, age 54, became a director of CareCentric on June 6, 2002. Mr. Reed is a director of Mestek since 1986 and serves as a consultant to Mestek as well as a private investor in various enterprises. Mr. Reed previously served as a director of the Company from March 2000 until August 2000. Mr. Reed served as Executive Vice President of Mestek from 1986 to 1996. Prior to the 1986 merger of Mestek, Inc. and Reed National Corp., Mr. Reed had been Executive Vice President of Reed National Corp. in charge of corporate development. Mr. Reed had been employed by Reed National Corp. since 1970. Mr. Reed is the son of John E. Reed, Chairman of the Board, President and Chief Executive Officer of Mestek and the Chairman of the Board of the Company. Mr. Reed holds a substantial ownership interest in Wainwright Bank & Trust Co., the provider of a $6.0 million line of credit to the Company.

William J. Simione, Jr., age 61, became a director of CareCentric (then Simione) in October 1996. He left the Board of Directors in June 2000 when its membership was reduced to seven, and was re-appointed to the Board of Directors in November 2000 upon the occurrence of a vacancy. He served as Executive Vice President of CareCentric and President of its subsidiary, Simione Consulting, Inc. until October 31, 2001, when he left the Company to form Simione Consultants, LLC. He is a certified public accountant who previously served as Vice Chairman of the Board and Executive Vice President of the Company from October 1996 to March 2000. From January 1996 until October 1996, Mr. Simione served as the President of Simione Central, Inc., a wholly owned subsidiary of CareCentric. From January 1975 until December 1995, Mr. Simione was Managing Partner of the Home Health Care Consulting Division of Simione & Simione, CPAs. Since September 1995, Mr. Simione has also served as a director and an audit and governance committee member of Personnel Group of America, Inc., a leading provider of information technology services and commercial staffing solutions. Mr. Simione has 35 years of experience in the home health care industry.

Edward K. Wissing, age 64, became a director of CareCentric on March 7, 2000 upon the closing of the MCS/Simione merger pursuant to the terms of the Merger Agreement. Mr. Wissing retired in 1998 from American HomePatient of Nashville, Tennessee, a regional provider of home health care products and services, a company which he founded. He maintains an active role in the home health care industry and has twice chaired the Health Industry Distributors Association (HIDA). Mr. Wissing has also served as chairman of HIDA's Educational Foundation and serves on the board of American HomePatient and Psychiatric Solutions, Inc., a Nashville-based mental health services provider.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION T

Name and Principal Position	Year	ANNUAL COMPENSATION Salary ($)	Bonus ($)	Other ($)(2)	Retired Stock Awards ($)
John R. Festa (3)	2002	206,861	--	--	-
President and Chief Executive Officer	2001	31,795	--	--	-
	2000	--	--	--	-
George M. Hare (4)	2002	107,606	--	--	11,20
Senior Vice President and Chief	2001	--	--	--	-
Financial Officer	2000	51,890	22,500	--	-
Ana M. McGary (5)	2002	99,230	--	--	-
Senior Vice President-Human Resources &	2001	99,231	20,000	--	-
Administration	2000	95,000	8,000	--	-
Mark A. Kulik (6)	2002	183,577	--	--	-
Senior Vice President-Sales and	2001	136,250	33,750	--	-
Marketing	2000	33,333	7,500	--	-

Michael L. Quinn (7)	2002	163,800	--	--	-
Senior Vice President of Operations	2001	163,800	--	--	-
	2000	139,737	51,824	--	-

(1) Represents 401(k) match, excess group life insurance and other compensation specified in notes below.

(2) In accordance with the rules on executive officer compensation adopted by the Securities and Exchange Commission, amounts of Other Annual Compensation for 2000, 2001 and 2002 which would include the incremental costs to the Company of perquisites and personal benefits, are excluded because they are less than $50,000 or less than 10% of the total annual salary and bonus compensation for each of such individuals in the Summary Compensation Table.

(3) Mr. Festa became Chief Executive Officer November 1, 2001. The salary and all other compensation, including reimbursement of the premiums of a disability insurance policy, set forth herein for 2002 are based on payments made by CareCentric for the period from January 1, 2002 to December 31, 2002.

(4) Mr. Hare has served as Senior Vice President and Chief financial officer of CareCentric, Inc. since April of 2002. Mr. Hare also served as Chief Financial Officer during the final four months of 2000. In 2002, Mr. Hare received options to purchase 17,500 shares of the Company's common stock pursuant to the CareCentric, Inc. Omnibus Equity-based Incentive Plan, which shall vest 33-1/3% on each of the first, second and third anniversaries of the date of the resolution. The exercise price of the above shares vesting on the first anniversary shall be equal to $1.00 per share. Mr. Hare also received grant of 17,500 shares of restricted common stock. The value shown above for the restricted stock is based upon a closing price of $0.64 per share on April 22, 2002.

(5) Ms. McGary became an executive officer of the Company in July 2001. Ms. McGary has served as Senior Vice President of Human Resources and Administration since April of 1999. In February of 2000, Ms. McGary was elected as Assistant Secretary. In August of 2000 Ms. McGary was elected Secretary of the Company.

(6) Mr. Kulik became an executive officer of the Company in July 2001. Mr. Kulik has served as Senior Vice President of Sales and Marketing since October 2000. Prior to joining CareCentric, he served in senior management

positions at Healthcare Credentials Management Services and at Equifax Healthcare Information Services.

(7) Mr. Quinn served as Senior Vice President of Operations of MCS, Inc. since 1985 and became an officer of CareCentric upon the merger with MCS, Inc. when he became Senior Vice President of Operations, responsible for customer support and operations.

GRANTS OF STOCK OPTIONS

The following table sets forth certain information with respect to individual grants of stock options by the Company to the named Executive Officers during the year ended December 31, 2002.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options/SARs Granted (#)(1)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Pot A ___ 5%
George M. Hare	17,500	30%	$1.00	04-22-12	11,

OPTION EXERCISES AND HOLDINGS

The following table sets forth information concerning the value of unexercised stock options held at the end of the fiscal year ended December 31, 2002 by each named Executive Officer. There were no options exercised during the fiscal year ended December 31, 2002.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-EN

Name	Number of Securities Underlying Unexercised Options at December 31,2002 (#)		Value of in-t Options December 31, 20	
	Exercisable	Unexercisable	Exercisable	Un
John R. Festa	0	0	0	
George M. Hare	0	17,500	0	
Ana M. McGary	4,333	667	0	
Mark A. Kulik	46,667	85,833	0	
Michael L. Quinn	3,333	1,667	0	

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(1) Dollar values were calculated by determining the difference between the fair market value of the underlying securities at year-end at $0.60 per share, as adjusted for the one-for-five reverse split effected on March 7, 2000, and the exercise price of the options.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as to the number of shares of CareCentric common stock that will be beneficially owned as of March 10, 2003 as follows:

- each director of CareCentric;
- the Chief Executive Officer and the four other most highly compensated executive officers of CareCentric;
- all CareCentric directors and executive officers, as a group; and
- each person, entity, or group of affiliated persons known by CareCentric to be the beneficial owner of more than 5% of CareCentric's common stock, based on that person's or entity's ownership of CareCentric common stock and the number of outstanding shares of CareCentric common stock as of April 18, 2002.

For purposes of this table, beneficial ownership of securities is defined according to the rules of the Securities and Exchange Commission and means generally the power to vote or exercise investment discretion with respect to securities, regardless of any economic interests therein. Except as otherwise indicated, CareCentric believes that the beneficial owners of shares of CareCentric common stock listed below will have sole investment and voting power with respect to such shares, subject to community property laws where applicable. In addition, for purposes of this table, a person or group is deemed to have beneficial ownership of any shares which such person has the right to acquire within 60 days after the date as of which these data are presented. For purposes of calculating the percentage of outstanding shares held by each person

named above, any shares which this person has the right to acquire within 60 days after the date as of which these data are presented are deemed to be outstanding, but not for the purpose of calculating the percentage ownership of any other person.

The percentages were calculated based on the ratio of the number of shares of CareCentric common stock beneficially owned by such beneficial owner as of March 10, 2003 to the sum of:

- 4,371,350, the total number of outstanding shares of common stock;
- the number of shares of common stock issuable upon exercise of options or warrants held by the applicable beneficial owner exercisable within 60 days of March 10, 2003; and
- the number of shares of common stock issuable upon the conversion of the Company's Series D Preferred Stock and Series E Preferred Stock by the applicable beneficial owner.

The table reflects the one-for-five reverse stock split (the "Reverse Split") that became effective on March 7, 2000. The number of shares shown below reflects ownership of 5,600,000 shares of Series B Preferred Stock, 398,406 shares of Series D Preferred Stock and 210,000 shares of Series E Preferred Stock.

	SHARES OF COMMON STOCK BENEFICIALLY OWNED	
NAME OF BENEFICIAL OWNER	NUMBER	PERCENT
Mestek, Inc.(1)(2)	10,890,396	71.4%
John E. Reed(1)(2)(3)	5,616,257	62.9
Stewart B. Reed(2)(4)	552,649	12.6
Barrett C. O'Donnell(5)(8)	233,728	5.2
Dr. David O. Ellis(6)(8)	221,374	5.0
William J. Simione, Jr.	11,254	*

Winston R. Hindle, Jr.(2)(7)	6,866	*
Edward K. Wissing(2)(7)	3,333	*
John R. Festa(8)	210,000	4.6
George M. Hare(9)	17,500	*
Mark A. Kulik(10)	46,667	1.1
Ana M. McGary(11)	4,333	*
Michael L. Quinn(7)	3,333	*
All directors and executive officers as a group (10 persons)(12)	6,374,645	68.5%

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* Less than 1%.

(1) Includes (a) warrant to purchase 400,000 shares of the Company's common stock at a per share price of $1.00 received on July 1, 2002 in exchange of a prior warrant, pursuant to the closing of a Secured Convertible Credit Facility (the "Mestek Credit Facility") between Mestek, Inc. ("Mestek") and CareCentric dated as of July 1, 2002, which warrant expires on June 15, 2004, (b) a warrant to purchase 490,396 shares of the Company's common stock at a per share price of $1.00 on July 1, 2002 received in exchange of a prior warrant, pursuant to the closing of the Mestek Credit Facility dated as of July 1, 2002, which warrant expires on June 15, 2004, (c) 4,000,000 shares of the Company's common stock issuable upon conversion of outstanding indebtedness under the Mestek Credit Facility, and (d) 6,000,000 shares of the Company's common stock issuable upon conversion of 5,600,000 shares of the Company's Series B Preferred Stock. As of the date of this Report, Mestek does not have any issued shares of the Company's common stock.

(2) The address is 260 North Elm Street, Westfield, Massachusetts 01085.

(3) Includes: (a) 8,163 shares of CareCentric's common stock, (b) 1,000,000 shares of common stock issuable upon conversion of the Series D Preferred Stock; (c) 3,555,555 shares of common stock issuable upon conversion of outstanding indebtedness under that certain Amended and Restated Secured Convertible Credit Facility and Security Agreement, dated as of July 1, 2002 among CareCentric, SC Holding, Inc., CareCentric National, LLC, and

John E. Reed; and (d) options held by John E. Reed to purchase 1,666 shares of common stock. Also includes: (a) 490,533 shares of common stock which are held by John E. Reed as trustee for various family trusts, but for which he is not the beneficiary; (b) 89,458 shares of common stock owned by Sterling Realty Trust, a Massachusetts business trust of which John E. Reed is the trustee and of which he and a family trust are the beneficiaries; (c) 470,882 shares of common stock held by trusts for the benefit of John E. Reed. Excludes: (a) 2,267 shares of common stock which are held by John E. Reed's wife, (b) 3,267 shares of common stock which are held by a family trust for which he is not trustee, to which he disclaims ownership; (c) 400,000 shares of common stock issuable upon exercise of a Warrant issued to Mestek in exchange for a prior Warrant on July 1, 2002, (d) 490,396 shares of common stock issuable upon exercise of a Warrant issued to Mestek in exchange for a Warrant on July 1, 2002, and (e) 4,000,000 shares of common stock issuable upon conversion of outstanding indebtedness under that certain Secured Convertible Credit Facility and Security Agreement dated July 1, 2002 between CareCentric and Mestek. John E. Reed expressly disclaims beneficial ownership of all shares of common stock underlying the Mestek Warrants and the Mestek convertible indebtedness. (f) the right to vote, pursuant to an agreement dated March 29, 2002 between John E. Reed and Mestek, 5,600,000 shares of Series B Preferred Stock issued to Mestek, each of which entitles the holder to 1/5th of a vote in all matters voted upon by Issuer's stockholders, or an aggregate of 1,120,000 votes (the right to vote shares of common stock received upon conversion Series B Preferred Stock revert to Mestek under the voting agreement).

(4) Includes 225,921 shares of common stock which are owned by the Stewart B. Reed Trust, of which Stewart B. Reed is the beneficiary and John E. Reed is the trustee.

(5) Includes 87,529 shares issuable upon exercise of options (53,333 shares individually and the balance through O'Donnell Davis, Inc.). Mr. O'Donnell is a stockholder, director and officer of O'Donnell Davis, Inc. Accordingly, pursuant to Rule 13d-3 under the Exchange Act, he is deemed to be an indirect beneficial owner of CareCentric's securities beneficially owned by O'Donnell Davis, Inc.

(6) Includes 170,786 shares held by, and 6,189 shares issuable upon exercise of options by, Rowan Nominees Limited ("Rowan"). EGL Holdings, Inc. manages accounts on behalf of Mercury Asset Management or its successors though its nominee, Rowan. Mr. Ellis is president and a director of EGL Holdings, Inc. Includes 1,837 shares held by Mr. Ellis' wife. Includes 11,353 shares issuable upon exercise of options.

(7) Includes 3,333 shares issuable upon exercise of options.

(8) All shares are Series E Preferred Stock convertible into shares of common stock. 105,000 of the shares vest over a three (3) year period and 105,000 of the shares are forfeitable pro rata over a three (3) year period if the Company's financial, cash flow and performance milestone goals are not achieved.

(9) Includes 17,500 shares of restricted stock.

(10) Includes 46,667 shares issuable upon exercise of options.

(11) Includes 4,333 shares issuable upon exercise of options.

(12) Includes 166,069 shares issuable upon exercise of options and 890,396 shares issuable upon exercise of warrants. Includes 1,000,000 shares issuable upon conversion of Series D Preferred Stock, 210,000 shares issuable upon conversion of Series E Preferred Stock, and 3,555,555 shares issuable upon conversion of notes.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company subleased certain space to Healthfield, Inc. which is a MestaMed(R) customer and has a significant shareholder who was a former member of the board of directors of the Company. The original lease and related sublease expired on December 31, 2002 and required annual sublease payments equal to the original lease payments of approximately $730,000.

Winston R. Hindle, Jr., a director of the Company, is a director of Mestek, Inc. Mestek has certain investments in the Company in the form of notes, convertible notes, warrants, stock options and preferred stock as described in

Note 8 and Note 12 to the Financial Statements included in this Report.

The Company has a note receivable from Simione Consultants, LLC of $409,000 at December 31, 2002. On September 28, 2001, the Company discontinued its Consulting business segment by closing the sale of certain of the assets of its wholly-owned subsidiary, Simione Consulting, Inc. ("Consulting") to Simione Consultants, LLC, which is owned and controlled by William J. Simione, Jr., a director and former officer of CareCentric. The total sales price was approximately $2.0 million plus the assumption of certain liabilities. The sale was made pursuant to an asset purchase agreement. William Simione, Jr. has resigned as an officer of CareCentric, however, William Simione, Jr. remains a director of CareCentric. The assets sold under the agreement included the Consulting accounts receivable, computer equipment, and miscellaneous prepaid expenses. Consideration received consisted of approximately $1.0 million in cash and $1.0 million in notes, $770,000 with a 36-month term and $230,000 with a 5-month term. The cash proceeds were used to pay down CareCentric's line of credit.

On December 13, 2002, the Company entered into a racing sponsorship agreement for a one-year sponsorship of a racing team at a total cost of approximately $125,000. The son of John Festa, the Company's President and Chief Executive Officer, is one of several members of the racing team being sponsored. The Company believes that the terms of the agreement are arms-length and that third parties are paying comparable amounts of at least $120,000 for similar arrangements. The Company will use the sponsorship in its advertising program, tradeshows and launch of the AC-CURA(TM) product. Mr. Festa will receive no financial benefit from the sponsorship.

As of December 31, 2002, the Company had a promissory note outstanding to Barrett C. O'Donnell, a director of the Company, as described in Note 8 to the Financial Statements included in this Report. Barrett C. O'Donnell also owns 25,000 warrants for the purchase of common shares of the Company at an exercise price of $5.00 per share.

John E. Reed is a director and a significant, but not controlling, shareholder of the Wainwright Bank and Trust Company which has provided the Company with a $6.0 million line of credit, as more fully explained in Note 8 to the Financial Statements included in this Report.

John E. Reed, Chairman of the Company and Chairman and Chief Executive Officer of Mestek, Inc., has at December 31, 2002 provided the Company $3.7 million, including accrued interest, (unrelated to the Wainwright Bank and Trust $6.0 million line of credit described above) of financing in the form of convertible notes payable as more fully described in Note 8 to the Financial Statements and also owns $1.0 million of the Company's Series D Preferred Stock as more fully described in Note 12 to the Financial Statements included in this Report. An independent committee of the Company's Board of Directors, consisting of Barrett C. O'Donnell and David O. Ellis, negotiated the terms of Mr. Reed's debt and equity investments in the Company. The issuance of 398,406 shares of Series D Preferred Stock to Mr. Reed for his $1.0 million equity investment was based on a per share price of $2.51, which was the 5-day average closing price of CareCentric common stock as of the date of the final negotiation of the terms of Mr. Reed's purchase. On July 1, 2002, the Company recapitalized certain loans and preferred stock in accordance with a shareholder approved plan under which the conversion price for Mr. Reeds notes payable and Series D Preferred Stock was changed to $1.00. See Note 8 to the Financial Statements.

Mestek, Inc. has, at December 31, 2002, provided the Company $4.1 million of financing in the form of convertible notes payable as more fully described in Note 8 to the Financial Statements and also is the Guarantor of the $6.0 million Wainwright Bank and Trust line of credit. Additionally, Mestek, Inc. owns $6.0 million of the Company's Series B Preferred Stock. Warrants were granted in June

2000 by the Company to Mestek, Inc. in connection with its waiver of certain voting rights previously granted to it in connection with its purchase of the Series B Preferred Stock of the Company. On July 1, 2002, the Company recapitalized certain loans and preferred stock in accordance with a shareholder approved plan under which the conversion price for Mestek's Series B Preferred Stock and notes payable was changed to $1.00. The terms of the warrants (as

described in more detail in Note 12 to the Financial Statements) were based on negotiations by independent committees of the Boards of Directors of the Company and Mestek.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, the Company's directors and executive officers, and any persons holding more than 10% of the Common Stock outstanding, are required to report their initial ownership of Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates have been established and the Company is required to disclose in this Proxy Statement any failure to file by these dates during the Company's most recent fiscal year. To the Company's knowledge, all of these filing requirements were satisfied, except that (1) Mr. Hare filed one late Form 5 to report one exempt restricted stock grant, (2) Stewart Reed filed one late Form 4 to report five purchases, and (3) Mr. O'Donnell filed one late Form 5 to report one exempt option grant and one disposition of shares. In making these disclosures, the Company has relied solely on its review of copies of the reports that have been submitted to the Company with respect to its most recent fiscal year, and representations provided by the directors and executive officers.

ITEM 14 CONTROLS AND PROCEDURES.

In the 90-day period before the filing of this report, the chief executive and chief financial officers of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures. These disclosure controls and procedures are those controls and other procedures management maintains, which are designed to insure that all of the information required to be disclosed by the Company in all its periodic reports filed with the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in its reports filed or submitted under the Securities Exchange Act of 1934 is accumulated and communicated to Company management, including the chief executive and chief financial officer of the Company, as appropriate to allow those persons to make timely decisions regarding required disclosure.

Subsequent to February 21, 2003, when the disclosure controls and procedures were evaluated, there have not been any significant changes in the Company's disclosure controls or procedures or in other factors that could significantly affect such controls or procedures. No significant deficiencies or material weaknesses in the controls or procedures were detected, so no corrective actions needed to be taken.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Report:

1. Financial Statements.

2. Financial Statement Schedule.

Schedule II--Valuation and Qualifying Accounts

Certain financial statement schedules have been omitted because they are not applicable.

3. Exhibits Incorporated by Reference or Filed with this Report.

The following exhibits are filed as part of this Report. Where such filing is made by incorporation by reference to a previously filed statement or report, such statement or report is identified in parentheses.

EXHIBIT NUMBER		DESCRIPTION
2.1(1,3)	--	Agreement and Plan of Merger dated as of July 12, 1999 among the Company, Simione Acquisition Corporation and CareCentric Solutions, Inc.
2.2(1,2)	--	Second Amended and Restated Agreement and Plan of Merger and Investment Agreement dated as of October 25, 1999 by and among MCS, Inc., Mestek, Inc., the Company, John E. Reed, Stewart B. Reed and E. Herbert Burk.
2.3(1)	--	Purchase and Sale Agreement dated September 28, 2001 by and between the Company, Simione Consulting, Inc. and Simione Consultants, L.L.C. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated October 12, 2001 as filed with the Securities and Exchange Commission).
3.1	--	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.4 of the Company's Quarterly Report on form 10-Q for the quarter ended March 31, 2002 (File No. 000-22162))
3.2	--	Certificate of Ownership and Merger of Simione Central Holdings, Inc. with and into CareCentric, Inc. (Incorporated by reference to the Company's Annual Report 8-K dated as of January 31, 2001 (File No. 000-22162)).
3.3	--	Bylaws of the Company dated October 25, 2002 (Incorporated by reference to Exhibit 3.3 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (File No. 000-22162) as filed with the Securities and Exchange Commission).
3.4(6)	--	Certificate of Designations, Preferences and Rights of Series E Preferred Stock of the Company.
4.1(5)	--	Specimen Stock Certificate of the Company (Incorporated by

reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 as filed with the Securities and Exchange Commission).

4.2 -- See Exhibits 3.1, 3.2 and 3.3 for provisions of the Company's Certificate of Incorporation and Bylaws governing the rights of holders of securities of the Company.

4.3 -- Registration Rights Agreement dated October 7, 1996 by and among InfoMed Holdings, Inc., those stockholders of Simione Central Holding, Inc. appearing as signatories to the Registration Rights Agreement, and those stockholders of InfoMed Holdings, Inc. appearing as signatories to the Registration Rights Agreement (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 8, 1996 as filed with the Securities and Exchange Commission).

9.1 -- Form of Simione Central Holding, Inc. Shareholders Voting Agreement and Irrevocable Proxy dated March 5, 1996 by and among Howard B. Krone, William J. Simione, Jr., Gary Rasmussen, G. Blake Bremer, Katherine L. Wetherbee, A. Curtis Eade, James A. Tramonte, John Isett, Cindy Lumpkin, Douglas E. Caddell, Robert J. Simione, Kenneth L. Wall, Allen K. Seibert, III, Jerry Sevy, Larry Clark, Lori N. Siegel, Gary M. Bremer, Richard A. Parlontieri, and James R. Henderson (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).

9.2 -- Agreement dated as of October 7, 1996 by and among InfoMed Holdings, Inc., EGL Holdings, Inc., Mercury Asset Management plc, O'Donnell Davis, Inc., Barrett O'Donnell and certain other holders of the Class A Convertible Preferred Stock of InfoMed Holdings, Inc. (Incorporated by reference to Exhibit

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10.2 of the Company's Current Report on Form 8-K dated October 8, 1996 as filed with the Securities and Exchange Commission).

10.1 -- Amended and Restated Agreement and Plan of Merger dated as of September 5, 1996 by and among InfoMed Holdings, Inc., Simione Central Holding, Inc. and InfoSub, Inc. (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated September 5, 1996 as filed with the Securities and Exchange Commission).

10.2 -- InfoMed Holdings, Inc. Amended and Restated Share Warrant for the Purchase of Common Stock of InfoMed Holdings, Inc. dated October 5, 1996 between InfoMed Holdings, Inc. and each of O'Donnell Davis, Inc., Rowan Nominees Ltd., David O. Ellis, Richard V. Lawry, Salvatore A. Massaro, Murali Anantharaman, Kathleen E.J. Ellis, Jeremy Ellis, Karen Ellis, Gemma Ellis, Thomas M. Rogers, Jr., and Arnold Schumacher (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated October 8, 1996 as filed with the Securities and Exchange Commission).

10.3	--	Warrant to Purchase 100,000 shares of Class A Common Stock of Simione Central Holding, Inc., dated April 12, 1996 between Simione Central Holding, Inc. and Home Health First, a Texas not-for-profit corporation (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.4	--	Common Stock Warrant of InfoMed Holdings, Inc. dated October 8, 1996 between Jefferies & Company, Inc. and InfoMed Holdings, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.5+	--	Form of Simione Central Holding, Inc. 1996 Incentive Stock Option Agreement dated September 4, 1996 by and between Simione Central Holding, Inc. and each of James R. Henderson, William J. Simione, Jr., Robert Simione, Katherine Wetherbee, Sheldon Berman, Betty Gordon, William J. Simione, III, J. Blake Bremer, Craig Luigart, Kenneth L. Wald, Marty Cavaiani, Lori Ferrero, Douglas E. Caddell, Andy Anello and A. Curtis Eade (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.6+	--	1994 Incentive Stock Option and Non-Qualified Stock Option Plan (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 as filed with the Securities and Exchange Commission).
10.7+	--	CareCentric, Inc. Profit Sharing Plan dated October 31, 1996, as amended (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.8+	--	CareCentric, Inc. Section 125 Plan effective date January 1, 1997 sponsored by the Company (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.9	--	Headquarters at Gateway Lake Lease Agreement dated January 1, 1996 by and between Gateway LLC and InfoMed Holdings, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 as filed with the Securities and Exchange Commission).
10.10	--	Sublease dated November 22, 1996 between Environmental Design International, Ltd. and Simione Central, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as

filed with the Securities and Exchange Commission.

10.11	--	Lease Amendment dated August 7, 1992 by and between Sugar

		Land Plaza Building Corporation and Medical Solutions, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission).
10.12	--	Lease dated August 13, 1992 between Unum Life Insurance Company of America and Dezine Associates, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission).
10.13	--	Indenture of Lease dated January 1, 1998 by and between S&S Realty and Simione Central Consulting, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission).
10.14	--	Lease dated December 18, 1996 by and between Resurgens Plaza South Associates, L.P. and Simione Central, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission).
10.15+	--	Severance Agreement dated July 22, 1998 between CareCentric, Inc. and Gary M. Bremer. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission).
10.16+	--	Executive Employment Agreement dated January 1, 1996 between Simione Central, Inc. and William J. Simione, Jr. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.16.1(5)+	--	Addendum to Executive Employment Agreement dated December 20, 2000 between Simione Central Holdings, Inc. and William J. Simione, Jr.
10.17	--	Agreement dated October 4, 1996 by and between InfoMed Holdings, Inc. and EGL Holdings, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.18	--	Information Systems Management Agreement dated January 4, 1996 between Integrated Systems Solutions Corporation and Central Health Management Services, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.19	--	Master Software License Agreement Number 96-2283 dated October 31, 1996 by and between Software 2000, Inc. and Simione Central Holding, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.20	--	Guaranty Agreement dated October 31, 1996 by Simione Central, Inc. in favor of HCA, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for

		the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).
10.21	--	Lease Agreement dated March 18, 1996 between National Leasing, Inc. and Simione Central, Inc. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission).

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10.22	--	Amendment 2 to Agreement for Information Technology Services between SC Holding, Inc. and Integrated Systems Solutions Corporation dated July 31, 1997 (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q dated August 13, 1997 as filed with the Securities and Exchange Commission).
10.23	--	Loan and Security Agreement by and between National Bank of Canada and CareCentric, Inc., dated as of June 6, 1997 (Incorporated by reference to Exhibit 10.34 of the Company's Current Report on Form 8-K dated June 21, 1997 as filed with the Securities and Exchange Commission).
10.25	--	Remarketing Agreement dated April 17, 1998 between Simione Central National, Inc. and Eclipsys Corporation (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal eyar ended December 31, 1998 as filed with the Securities and Exchange Commission).
10.26	--	Stock Purchase Agreement dated April 17, 1998 between CareCentric, Inc., Eclipsys Corporation and certain stockholders of the Company (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed with the Securities and Exchange Commission).
10.27(3)	--	Form of Shareholder Voting Agreement by and among the Company, Daniel J. Mitchell as agent for shareholders of CareCentric Solutions, Inc. and each of Barrett C. O'Donnell and O'Donnell Davis, Inc.
10.28(3)	--	Shareholder Voting Agreement by and among the Company, CareCentric Agent, and Mestek, Inc.
10.29	--	Warrant to Purchase Common Stock dated March 7, 2000 by and between the Company and Mestek, Inc. (Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2000, (File No. 000-22162)).
10.30(4)	--	Merger Option Agreement by and between the Company and Mestek, Inc. dated March 7, 2000.
10.31(4)	--	Series D Convertible Preferred Stock Purchase Agreement dated June 12, 2000 between the Company and John E. Reed.
10.32.1(6)	--	First Amendment to Secured Convertible Credit Facility and Security Agreement dated as of December 31, 2001 by and

		between the Company, CareCentric National, LLC, and CareCentric Consulting, Inc.
10.32.2(6)	--	Promissory Note dated December 31, 2001 of the Company in favor of John E. Reed.
10.32.3(6)	--	Promissory Note dated December 31, 2001 of the Company in favor of Mestek, Inc.
10.32(4)	--	Secured Convertible Credit Facility and Security Agreement dated June 12, 2000 between the Company, Simione Central National, LLC and Simione Central Consulting, Inc. and John E. Reed.
10.33(4)	--	Warrant dated June 12, 2000 by and between the Company and Mestek, Inc.
10.34	--	Warrant dated July 12, 2000 by and between the Company and Mestek, Inc. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.35	--	Loan and Security Agreement by and between the Company, Simione Central National, LLC, Simione Central Consulting, Inc. and Wainwright Bank and Trust Company, dated July 10, 2000 (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (File No. 000-22162)).
10.36(5)	--	Lease Agreement dated January 16, 2001 between Prentiss Properties Acquisition Partners, L.P. and Simione Central Holdings, Inc.

10.37(5)	--	Sublease dated June 17, 1999 between Healthfield, Inc. and Simione Central Holdings, Inc., and consented to by Environmental Design International, Ltd.
10.38(5)	--	Sublease dated December 20, 2000 between International Paper, Inc. and Simione Central Holdings, Inc.
10.39(5)	--	Sublease Agreement dated January 15, 2000 between The Profit Recovery Group International USA, Inc. and Simione Central Holdings, Inc.
10.39.1(6)	--	Lease Agreement dated December 31, 2001 between Coneca Properties, L.C. and the Company.
10.40	--	First Amendment to Voting Agreement Regarding Simione Directors dated as of July 12, 2000 by and among the Company, Mestek, Inc., John E. Reed, Stewart B. Reed, E. Herbert Burk, Daniel J. Mitchell and Jesse I. Treu (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001).
10.41	--	Settlement Agreement and Mutual Release dated as of May 16, 2001 by and between the Registrant and the former

		shareholders and noteholders of CareCentric Solutions, Inc. by and through Daniel J. Mitchell as their representative and agent (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
10.42	--	Purchase and Sale Agreement dated September 28, 2001 by and between the Registrant, Simione Central Consulting, Inc. n/k/a CareCentric Consulting, Inc., and Simione Consultants, L.L.C. (Incorporated by reference to Exhibit 2.1, filed with Registrant's Current Report on Form 8-K (Filed October 12, 2001)).
10.43(6)+	--	Employment Offer letter between John R. Festa and the Company dated October 22, 2001.
10.44(6)+	--	Stock Grant Agreement between John R. Festa and the Company dated January 23, 2002.
10.45(6)	--	Indemnification Agreement between John R. Festa and the Company dated January 23, 2002.
10.47(7)	--	Promissory Note in the original principal amount of $4,000,000 dated as of July 1, 2002 from the Company and certain of its subsidiaries in favor of Mestek, Inc.
10.48(7)	--	Secured Convertible Credit Facility and Security Agreement dated as of July 1, 2002 by and between the Company, SC Holding, Inc., CareCentric National, LLC and Mestek, Inc.
10.49(7)	--	Promissory Note in the original principal amount of $3,555,555 dated as of July 1, 2002 from the Company and certain of its subsidiaries in favor of John E. Reed.
10.50(7)	--	Amended and Restated Secured Convertible Credit Facility and Security Agreement dated as of July 1, 2002 by and between the Company, SC Holding, Inc., CareCentric National, LLC and John E. Reed.
10.51(7)	--	Warrant for 400,000 shares of common stock dated as of July 1, 2002 by and between the Company and Mestek, Inc.
10.52(7)	--	Warrant Exchange Agreement with respect to 400,000 shares of common stock dated as of July 1, 2002 by and between the Company and Mestek, Inc.

10.53(7)	--	Warrant for 490,396 shares of common stock dated as of July 1, 2002 by and between the Company and Mestek, Inc.
10.54(7)	--	Warrant Exchange Agreement with respect to 490,396 shares of common stock dated as of July 1, 2002 by and between the Company and Mestek, Inc.
10.55(7)	--	Registration Rights Agreement dated as of July 1, 2002 by and between the Company and Mestek, Inc.
10.56(7)	--	Promissory Note in the original principal amount of $103,818

		dated as of July 1, 2002 from the Company and certain of its subsidiaries in favor of John E. Reed.
10.57*	--	Convertible Promissory Note dated December 1, 2002 (effective as of July 1, 2002) from the Company in favor of Barrett C. O'Donnell.
10.58*	--	Amended and Restated Convertible Note Agreement dated December 1, 2002 (effective as of July 1, 2002) between the Company and Barrett C. O'Donnell.
10.59*+	--	Stock Grant Agreement dated April 22, 2002 between the Company and George M. Hare.
16.1	--	Letter re change in Certifying Accountant (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated February 8, 1999 as filed with the Securities and Exchange Commission).
16.2	--	Letter re change in Certifying Accountant (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated June 14, 2000 as filed with the Securities and Exchange Commission).
21.1*	--	Subsidiaries of the Company.
23*	--	Consent of Grant Thornton LLP

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* Filed herewith

+ Identifies each exhibit that is a "management contract of compensatory plan or arrangement" required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14 of Form 10-K

(1) In accordance with Item 601(b)(2) of Regulation S-K, the schedules have been omitted. There is a list of schedules at the end of the Exhibit, briefly describing them. The Company will supplementally copy any omitted schedule to the Commission upon request.

(2) Incorporated herein by reference to Exhibit 2.1 to the Form 10 of MCS, Inc. (File No. 000-27829) filed on October 26, 1999.

(3) Incorporated by reference to the Company's Current Report on Form 8-K dated as of August 12, 1999 (File No. 000-22162).

(4) Incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2000 (File No. 000-22162).

(5) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (File No. 000-22162).

(6) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (File No. 000-22162).

(7) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 000-22162).

(b) Reports on Form 8-K.

On February 6, 2002, the Company filed a Current Report on Form 8-K reporting its plan to realign its business.

On March 29, 2002 the Company filed a Current Report on Form 8-K reporting the $11.8 million impairment adjustment on its intangible assets.

On April 30, 2002, the Company filed a Current Report on Form 8-K reporting that the Company received a notice of possible delisting from the NASDAQ Stock Market.

On August 20, 2002, the Company filed a Current Report on Form 8-K reporting that the Company's common stock was being delisted from the NASDAQ Stock Market and would be traded on the Over the Counter Bulletin Board (OTCB).

On February 4, 2003, the Company filed a Current Report on Form 8-K reporting an offer had been received proposing a merger transaction between the Company and Borden Associates, Inc.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CARECENTRIC, INC.

Date: March 11, 2003

/s/ JOHN R. FESTA

By: John R. Festa
President and Chief Executive Officer

CARECENTRIC, INC.

Date: March 11, 2003

/s/ GEORGE M. HARE

By: George M. Hare
Sr. Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JOHN R. FESTA John R. Festa	President, Chief Executive Officer and Director (principal executive officer)	March 11, 2003
/s/ GEORGE M. HARE George M. Hare	Sr. Vice President and Chief Financial Officer (principal	March 11, 2003

	financial and accounting officer)	
/s/ WILLIAM J. SIMIONE, JR. -------------------------------- William J. Simione, Jr.	Director	March 11, 2003
/s/ DAVID O. ELLIS -------------------------------- David O. Ellis	Director	March 11, 2003
/s/ WINSTON R. HINDLE, JR. -------------------------------- Winston R. Hindle, Jr.	Director	March 11, 2003
/s/ Barrett C. O'Donnell --------------------------------------- Barrett C. O'Donnell	Director	March 11, 2003
/s/ JOHN E. REED -------------------------------- John E. Reed	Chairman and Director	March 11, 2003
/s/ EDWARD K. WISSING -------------------------------- Edward K. Wissing	Director	March 11, 2003
/s/ STEWART B. REED -------------------------------- Stewart B. Reed	Director	March 11, 2003

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CareCentric, Inc., Certification for Annual Report on Form 10-K

I, John R. Festa, certify that:

1. I have reviewed this annual report on Form 10-K of CareCentric, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 11, 2003

/s/ John R. Festa .

John R. Festa
President and Chief Executive Officer

CareCentric, Inc., Certification for Annual Report on Form 10-K

I, George M. Hare, certify that:

1. I have reviewed this annual report on Form 10-K of CareCentric, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 11, 2003

/s/ George M. Hare .

George M. Hare
Sr. Vice President and Chief Financial Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of CareCentric, Inc.:

We have audited the accompanying consolidated balance sheets of CARECENTRIC, INC. (a Delaware corporation) and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the years in the three year period ended December 31, 2002. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CareCentric, Inc. and subsidiaries as of December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II included herein is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
February 20, 2003

CARECENTRIC, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2002	20
ASSETS		
Current assets:		
Cash and cash equivalents	$ 826,000	$
Accounts receivable, net of allowance for doubtful accounts of $1,307,000 and $1,042,000 respectively	4,632,000	4
Prepaid expenses and other current assets	696,000	
Notes receivable	215,000	
Total current assets	6,369,000	5
Purchased software, furniture and equipment, net	1,036,000	1
Intangible assets, net	4,308,000	5
Other assets	194,000	
Total assets	$ 11,907,000	$ 12
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Line of credit	$ 4,525,000	$ 5
Accounts payable	1,584,000	2
Accrued compensation expense	556,000	
Accrued liabilities	6,113,000	6
Customer deposits	1,495,000	2
Unearned revenues	4,223,000	3
Total current liabilities	18,496,000	21
Accrued liabilities, less current portion	150,000	
Notes payable long-term	8,520,000	5
Commitments and contingencies		

Shareholders' equity (Deficit):		
Preferred Stock; 10,000,000 shares authorized		
Series B Preferred, $.001 par value; 5,600,000 issued and outstanding; liquidation value $1.25	6,000	
Series C Preferred, $.001 par value; liquidation value $1.00 850,000 shares in 2001, cancelled in 2002 (no shares outstanding)	-	
Series D Preferred, $.001 par value; liquidation value $1.23 398,000 issued and outstanding	-	
Series E Preferred, $.001 par value; liquidation value $1.04 210,000 issued and outstanding	-	
Common stock, $.001 par value; 20,000,000 shares authorized; 4,371,350 shares issued and outstanding at December 31, 2002 and December 31, 2001	4,000	
Unearned compensation	(134,000)	
Additional paid-in capital	20,430,000	21
Stock warrants	1,000,000	1
Accumulated deficit	(36,565,000)	(36
Total shareholders' equity (Deficit)	(15,259,000)	(14
Total liabilities and shareholders' equity (Deficit)	$ 11,907,000	$ 12

See notes to consolidated financial statements

CARECENTRIC, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBE	
	2002	2001
Net revenues	$ 22,015,000	$ 20,446,000
Costs and expenses:		
Cost of revenues	6,408,000	8,217,000
Selling, general and administrative	9,770,000	10,715,000
Research and development	3,431,000	6,158,000
Amortization and depreciation	1,696,000	3,865,000
Write down of intangibles	-	11,799,000
Restructuring charge	-	675,000
Total costs and expenses	21,305,000	41,429,000
Income (loss) from operations	710,000	(20,983,000)
Other income (expense):		
Other income (expense)	250,000	-

Interest expense	(712,000)	(592,000)
Interest and other income	45,000	37,000
Income (loss) before taxes	$ 293,000	$ (21,538,000)
Income tax benefit (expense)	-	(15,000)
Income (loss) from continuing operations	293,000	$ (21,553,000)
Discontinued operations		
Loss on disposal of discontinued operations	-	(2,632,000)
Income (loss) from operations of discontinued segment before taxes	-	(483,000)
Applicable tax expense	-	-
Net (loss) from discontinued operations	-	(3,115,000)
Net income (loss)	$ 293,000	$ (24,668,000)
Cumulative preferred dividends	(467,000)	(722,000)
Net (loss) available to common shareholders	$ (174,000)	$ (25,390,000)
Net (loss) per share - basic and diluted from continuing operations	$ 0.07	$ (5.06)
Weighted average common shares - basic and diluted	4,371,000	4,272,000
Net (loss) per share - basic and diluted	$ -	$ (0.73)
Weighted average common shares - basic and diluted	4,371,000	4,272,000
Net income (loss) per share - basic and diluted	$ 0.07	$ (5.77)
Weighted average common shares - basic and diluted	4,371,000	4,272,000
Net (loss) per share - basic and diluted available to common shareholders	$ (0.04)	$ (5.94)
Weighted average common shares - basic and diluted	4,371,000	4,272,000

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
For the years ended December 31, 2002, 2001, 2000
(unaudited)

	Common Shares	Common Stock	Preferred Shares	Preferred Stock	Unearned Compen-sation	Additional Paid-in Capital	War
Balance at December 31, 1999	1,000	$ 1,000	-	$ -	$ -	$ 1,260,000	$
MCS, Inc. shares eliminated in merger	(1,000)	(1,000)					
CareCentric, Inc. Shares post merger, $.001 par value	3,850,000	4,000				19,810,000	1,0
Issuance of $.001 par value preferred stock in connection with merger Series B, 5,600,000 shares Series C, 850,000 shares Series D, 398,000 shares	-	-	6,848,000	7,000			
Net loss							
Balance at December 31, 2000	3,850,000	$ 4,000	6,848,000	$ 7,000	$ -	$21,070,000	$1,0
Issuance of $.001 par value common stock	593,000						
Cancellation of $.001 par value common stock	(72,000)						
Issuance of $.001 par value Series E preferred stock, 210,000 shares			210,000		(210,000)	210,000	
Net loss							
Balance at December 31, 2001	4,371,000	$ 4,000	7,058,000	$ 7,000	$(210,000)	$21,280,000	$1,0
Amortization of unearned compensation					76,000		
Cancellation of Series C Preferred Stock			(850,000)	(1,000)		(850,000)	

Net loss							
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Balance at December 31, 2002	4,371,000	$ 4,000	6,208,000	$ 6,000	$(134,000)	$20,430,000	$1,0
	==========	========	=========	========	==========	===========	====

See notes to Consolidated Financial Statements

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CARECENTRIC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	YEARS ENDED DECEMBER 31,		
	2002	2001	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (174,000)	$ (25,390,000)	$
ADJUSTMENTS TO RECONCILE NET (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
Provision for doubtful accounts	351,000	500,000	
Amortization and depreciation	1,696,000	4,252,000	
Stock based Compensation charged to earnings	76,000	-	
Loss on discontinued operations	-	-	
Write down of intangibles	-	2,632,000	
	-	11,799,000	
CHANGES IN ASSETS AND LIABILITIES, NET OF ACQUISITIONS:			
Accounts receivable	(797,000)	2,101,000	
Prepaid expenses and other current assets	(88,000)	90,000	
Other assets	137,000	138,000	
Accounts payable	(600,000)	1,447,000	
Accrued compensation	(37,000)	(23,000)	
Accrued liabilities	(1,026,000)	(26,000)	
Customer deposits	(626,000)	(376,000)	
Unearned revenues	242,000	(1,020,000)	
Net cash used in operating activities	(846,000)	(3,876,000)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Assets and liabilities disposed of	-	(16,000)	
Purchase of software, furniture and equipment	(70,000)	(327,000)	
Net cash used in investing activities	(70,000)	(343,000)	
CASH FLOWS FROM FINANCING ACTIVITIES:			

Cash received in connection with MCS merger	-	-	
Payment on notes payable	-	-	
Proceeds from notes payable	3,176,000	-	
Increase (decrease) in line of credit	(1,047,000)	4,058,000	
Payment on capital lease obligation	(36,000)	-	
Proceeds from Consulting note receivable	298,000	-	
Cancellation of Series C Preferred stock	(850,000)	-	
Net cash provided by financing activities	1,541,000	4,058,000	
Net change in cash and cash equivalents	625,000	(161,000)	
Cash and cash equivalents, beginning of period	201,000	362,000	
Cash and cash equivalents, end of period	$ 826,000	$ 201,000	$

See notes to consolidated financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MCS AS DEEMED ACQUIRER OF CARECENTRIC, INC.

On March 7, 2000, CareCentric, Inc. (formerly known as Simione Central Holdings Inc.) ("CareCentric") and MCS, Inc. ("MCS") merged in a transaction ("the CareCentric/MCS merger," also described as "the MCS/Simione merger") accounted for as a reverse acquisition for financial reporting purposes. In connection with the acquisition, CareCentric issued 1,489,853 shares of its common stock in exchange for all the outstanding common stock of MCS, and thereby, the former shareholders of MCS acquired control of CareCentric. As a result, for financial reporting purposes MCS is considered the acquiring company; hence, the historical financial statements of MCS became the historical financial statements of CareCentric and include the results of operations of CareCentric only from the effective acquisition date.

The weighted average common shares for the year ended December 31, 2000 are recast in the accompanying Consolidated Statements of Operations to give effect to the 1,489,853 shares of CareCentric common stock that were issued to the MCS shareholders in connection with the CareCentric/MCS merger on March 7, 2000 as though such shares had been outstanding for the entire period. For the period from January 1, 2000 through March 6, 2000, therefore, 1,489,853 shares of issued and outstanding CareCentric common stock are deemed to be owned by the MCS shareholders. For the period from March 7, 2000 through December 31, 2000, there were 3,849,816 total shares of issued and outstanding Company common stock (after giving effect to the CareCentric/MCS merger).

BASIS OF PRESENTATION

The consolidated financial statements prepared by the Company include the results of operations of the parent company and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities that might be necessary should the Company be unable to continue to operate in the normal course of business. See Note 17 to the accompanying Consolidated Financial Statements.

Certain prior period amounts have been reclassified to conform to the 2001 financial statement presentation of discontinued operations.

DESCRIPTION OF BUSINESS

The Company is a provider of information technology systems and related services and consulting services designed to enable home health care providers to more effectively operate their businesses and compete in the prospective payment system (PPS) and managed care environments. The Company's focus is to help home health care providers streamline their operations and better serve their patients. CareCentric offers several comprehensive software solutions. Each of these software solutions is designed to enable customers to generate and utilize comprehensive financial, operational and clinical information.

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue under SOP 97-2. The Company recognizes software license revenue when the following criteria are met: (1) a signed and executed contract is obtained; (2) delivery has occurred; (3) the license fee is fixed and determinable; (4) collection is probable; and (5) remaining obligations under the license agreement are immaterial. The Company sells and invoices software licenses and maintenance fees as separate contract elements, except with respect to first year maintenance which is sold in the form of a bundled turnkey system. The Company has established vendor specific objective evidence related to the value of maintenance fees. Where applicable, the Company uses the residual value method to allocate software revenue between licenses and first year maintenance.

Revenues are derived from the licensing and sub-licensing of software, the sale of computer hardware, accessories and supplies, implementation and training products and services, forms and case plans, and software maintenance and support services. For the year ended December 31, 2002, the Company recorded total revenues of $22.0 million. The Company's core product lines of STAT2 and MestaMed(R) accounted for 24.4% and 36.3% respectively of the $22.0 million in revenues.

To the extent that software and services revenues result from software support, implementation, training and technical consulting services, such revenues are recognized monthly as the related services are rendered or, for software support revenues, over the term of the related agreement. To the extent that software and services revenues result from software licenses, computer hardware and third party software revenues, such revenues are recognized when the related products are delivered and collectability of fees is determined to be probable, provided that no significant obligation remains under the contract. Limited amounts of revenues derived from the sale of software licenses requiring significant modification or customization are recorded based upon the percentage of completion method using labor hours or contract milestones. Software support or maintenance allows customers to receive unspecified enhancements and regulatory data updates in addition to telephone support.

Third-party software and computer hardware revenues are recognized when the related products are shipped. Software support agreements are generally renewable for one-year periods, and revenue derived from such agreements is recognized ratably over the period of the agreements. The Company has historically maintained high renewal rates with respect to its software support agreements. The Company generally charges for software implementation, training and technical consulting services as well as management consulting services on an hourly or daily basis. The Company is now offering "tiered pricing" for implementation of new systems whereby the customer pays a fixed fee for a certain level of packaged services and daily fees for services beyond the package.

Revenues for post-contract customer support are recognized ratably over the term of the support period, which is typically one year. Post contract customer support fees typically cover incremental product enhancements, regulatory updates and correction of software errors. Separate fees are charged for significant product enhancements, new software modules, additional users, and migrations to different operating system platforms.

Subsequent to delivery, the Company frequently delivers a variety of add-on software and hardware components. Revenues from these sales are recognized upon shipment.

In addition to software licenses, software maintenance and support, and related hardware, the Company also provides computer-based training, CD-ROMs and a number of ancillary services including on site implementation and training, classroom training, consulting and "premium" and after-hours support. Revenues from such products and services are recognized monthly as such products are delivered and such services are performed.

Unbilled receivables typically represent revenues from ancillary services performed and earned in the current period but not billed until subsequent periods, usually within one month. Unearned revenues represent amounts billed for which revenue recognition has not yet occurred.

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PURCHASED SOFTWARE, FURNITURE AND EQUIPMENT

Purchased software, furniture and equipment are carried at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

SOFTWARE DEVELOPMENT EXPENSES

Costs incurred to establish the technological feasibility of computer software products are expensed as incurred. The Company's policy is to capitalize costs incurred between the point of establishing technological feasibility and general release only when such costs are material. For the years ended December 31, 2002, 2001, 2000, the Company had no capitalized computer software and development costs.

CASH EQUIVALENTS

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

INTANGIBLE ASSETS AND LONG-LIVED ASSETS

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. The application of SFAS No. 121 resulted in an impairment loss of $11.8 million recorded in the fourth quarter of 2001, see Note 7. Prior to the impairment adjustment, the intangible assets arising from the CareCentric/MCS merger were amortized using the straight-line method over the estimated useful lives of the related assets as more fully disclosed in Notes 6 and 7. The measurement of the recorded impairment was based upon comparing the projected undiscounted future cash flow from the use of the assets against the unamortized carrying value of the assets in the financial statements.

Effective July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations". Effective January 1, 2002, the company adopted SFAS No. 142, "Goodwill and Intangible Assets in 2001" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". These new standards superseded the Company's previous accounting for Intangible Assets under SFAS No. 121 as discussed below in the section Recent Accounting Pronouncements.

In adopting SFAS No. 142, the Company ceased amortizing goodwill and reassessed the remaining life for developed technologies from 6 years to 4 years. An impairment test is required to be performed upon the adoption of SFAS No. 142 and at least annually thereafter. On an ongoing basis (absent any impairment indicators requiring interim review), the Company performs impairment testing at the end of each fiscal year. Impairment adjustments recognized from future impairment tests, if any, generally are required to be recognized as operating expenses. In connection with adopting SFAS No. 142, the Company also reassesses the useful lives and the classification of its identifiable intangible assets to determine that they continue to be appropriate.

Actual results of operations for the year ended December 31, 2002 and adjusted results of operations for the year ended December 31, 2001, had the Company applied the provisions of SFAS No. 142 in that period, are as follows. The adjustments to the results of operations for the year ended December 31, 2001 are i) the impact on amortization expense resulting from the cessation of amortization of goodwill; ii) the effect of changing the remaining life of

developed technologies; and iii) the effect of the impairment charge recorded in the fourth quarter of the year ended December 31, 2001):

	YEAR ENDED DECEMBER 31, 2002	2001
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (174,000)	$ (25,390,000)
Add back: Goodwill amortization	-	1,709,000
Add back: Technology amortization	-	334,000
Adjusted net income	$ (174,000)	$ (23,347,000)
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED		
Reported net income	$ (0.04)	$ (5.94)
Goodwill amortization	-	0.40
Technology amortization	-	0.08
Adjusted net income	$ (0.04)	$ (5.47)
Weighted average common shares- basic and diluted	4,371,000	4,272,000

SFAS No. 144, which became effective for fiscal years beginning after December 15, 2001, provides a single accounting model for the disposal of long-lived assets. New criteria must be met to classify the asset as an asset held for sale. SFAS No. 144 also focuses on reporting the effect of a disposal. The adoption of SFAS No. 144 did not have a material impact on the Company's financial position or results of operations.

INCOME TAXES

The Company accounts for income taxes using the asset/liability method which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amount and the tax bases of assets and liabilities.

NET (LOSS) EARNINGS PER SHARE

The Company calculates earnings per share under SFAS No. 128, "Earnings Per Share." Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share for the years 2002, 2001 and 2000 exclude the effects of options, warrants and conversion rights as they would be anti-dilutive, and as a result, basic and diluted earnings are the same for the years 2002, 2001 and 2000.

	FOR YEAR ENDED DECEMBER 31,		
	2002	2001	
Numerator:			
Net (loss) income after cumulative deferred dividends	$ (174,000)	$ (25,390,000)	$
Denominator:			
Denominator for basic and diluted earnings per share- weighted - average shares	4,371,000	4,272,000	
Net (loss) income per share - basic and diluted for common shareholders	$ (0.04)	$ (5.94)	$

STOCK BASED COMPENSATION

Employee stock options are accounted for under SFAS No. 123 (and its related interpretations) which allows the use of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" which allows providing disclosure of compensation cost - see Note 12 to the Consolidated Financial Statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and cash equivalents approximate their fair value.

Notes receivable and payable: The carrying amounts of the Company's notes receivable and payable approximates their fair value.

RECENT ACCOUNTING PRONOUNCEMENTS

On December 3, 1999, the SEC released Staff Accounting Bulletin 101, (SAB 101) "Revenue Recognition in Financial Statements". This bulletin established more clearly defined revenue recognition criteria than previously existing accounting pronouncements. On June 26, 2000, the SEC released SAB 101B, which delayed the required implementation of SAB 101 until no later than the fourth quarter of fiscal years ending December 31, 2000. The effects of this bulletin were not material to its financial position, results of operations or cash flow.

The Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Intangible Assets in 2001. SFAS No. 141 is effective for all business combinations completed after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS No. 142. Major provisions of these Statements and their effective dates for the Company are as follows: i) all business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001, ii) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed,

rented or exchanged, either individually or as part of a related contract, asset or liability, iii) goodwill and intangible assets with indefinite lives acquired after June 30, 2001, will not be amortized (effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization), iv) effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator and v) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting. Following the accounting for impairment discussed below, which was made under the rules of SFAS 121, the Company believes that the effect of adopting SFAS No. 141 and 142 will be limited to changes in amortization expense for periods after December 31, 2001. Additionally, effective January 1, 2003 with the adoption of SFAS No. 142, the assembled workforce intangible asset previously recognized under SFAS 121 was recharacterized as goodwill, which will not be amortized under the rules of SFAS No. 142.

On October 3, 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," that replaced SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." The primary objectives of this project were to develop one accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sales and to address significant implementation issues. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of Account Principles Board (APB) Opinion no. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The effect of adoption of SFAS No. 144 effective January 1, 2002 had no material impact on the Company's financial position, results of operations or cash flow.

On December 31, 2002, the Financial Accounting Standards Board (FASB) issued FASB No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for companies that voluntarily change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of FASB No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company does not believe FAS 148 will have a material effect on its financial statements.

NOTE 2 -- DISCONTINUED OPERATIONS

The discontinued operations reported in the Company's results of operations for the year ending December 31, 2001 relate to the Company's Simione Consulting segment which was sold on September 28, 2001. The Consulting business, previous to its sale, was the Company's only separately reported segment of business. Accordingly, the Company no longer reports segment information. The Consulting business segment was discontinued through a transaction which sold certain of the assets of the Company's wholly-owned subsidiary, Simione Consulting, Inc., to Simione Consultants, L.L.C. ("Simione"), which is owned and controlled by William Simione, Jr., a director of the Company. The total sales price was approximately $2.0 million plus the assumption of certain liabilities by Simione. The Company's net pre-tax loss on the disposal was approximately $2.6 million and resulted from a write-off of the intangible assets associated with the Consulting segment as identified at the merger date of March 7, 2000 with MCS.

Summarized financial information for the discontinued Consulting segment is as follows:

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	2002	2001
Operating Revenue	$ -	$ 3,417
(Loss) before Provision for Income Taxes	-	(484)
(Loss) from Discontinued Operations Net of Income Tax	-	(484)
Current Assets	-	-
Total Assets	-	-
Net Assets of Discontinued Operations	$ -	$ -

NOTE 3 - RESTRUCTURING CHARGE

A restructuring charge of $675,000 (including terminated leases and contracts of $244,000 and severance of $431,000, respectively) was incurred in April 2001 as the result of the Company approving a plan to close one remote support office and to downsize the workforce at its remaining facilities. At December 31, 2001, that plan was fully completed and the restructuring charge was completely expended.

NOTE 4 - CARECENTRIC/MCS MERGER

On March 7, 2000, MCS completed the merger with CareCentric, Inc. (formerly known as Simione Central Holdings Inc.) ("CareCentric"). CareCentric issued 1,489,853 shares of common stock to MCS stockholders in exchange for all of the outstanding shares of MCS common stock. This number of shares has been adjusted to reflect a one-for-five reverse stock split that was completed by CareCentric immediately prior to the merger. In connection with the closing of the merger, Mestek invested $6.0 million in CareCentric in exchange for 5.6 million shares of Series B preferred stock and warrants to purchase 400,000 shares (on a split adjusted basis) of CareCentric common stock and $0.87 million in exchange for 170,000 shares of Series C Preferred Stock.

As required by generally accepted accounting principles (GAAP), the effects of the merger on the Company's assets and liabilities have been excluded from the operating section of the cash flow statement for reporting purposes.

Pro-forma unaudited results assuming the merger took place as of January 1, 2000 are as follows:

	FOR YEAR ENDED DECEMBER 31, 2000
Revenue	$ 23,586,000
(loss) continuing operations	$ (11,654,000)
(loss) discontinued operations	$ -
(loss) per share -continuing basic and diluted	$ (3.41)
(loss) per share -discontinuing basic and diluted	$ 0.00
Net (loss) per share - basic and diluted	$ (3.41)

NOTE 5 - NOTES RECEIVABLE

The Company has certain Notes Receivable of varying maturities which have resulted from the sale of the assets of the Consulting segment, financing to a customer for purchase of a new software system. The Consulting segment Note

Receivable is due from Mr. William Simione Jr., currently a Director of the Company, and the President and Chief Executive Officer of the acquirer of the Consulting business, Simione Consulting, LLC, and past Chief Executive Officer of the Consulting segment when it was part of the Company. The Customer note occurred in the normal course of business.

The amounts and term of each note is summarized in the table below.

	NOTES RECEIVABLE		
	CONSULTING	CUSTOMER NOTE	TOTAL
Balance 12-31-01	$ 707,000	$ 137,000	$ 844,000
Balance 12-31-02	$ 409,000	$ -	$ 409,000
Interest Rate	8.50%	5.65%	
Obligation Term			
Principal amounts due			
2003	$ 215,000	-	$ 215,000
2004	$ 194,000	-	$ 194,000
	$ 409,000	-	$ 409,000

NOTE 6 - PURCHASED SOFTWARE, FURNITURE AND EQUIPMENT

Purchased software, furniture and equipment consisted of the following:

	DECEMBER 31, 2002	DECEMBER 31, 31, 2001	DEPRECIATION ESTIMATED USEFUL LIVES

Furniture and Fixtures	$ 1,447,000	$ 1,428,000	10 years
Computer equipment and purchased software	6,288,000	6,237,000	5 years
	7,735,000	7,665,000	
Accumulated depreciation	(6,699,000)	(6,132,000)	
	$ 1,036,000	$ 1,533,000	

NOTE 7 - INTANGIBLE ASSETS

As a result of the merger with MCS on March 7, 2000, the Company capitalized $26.5 million of intangible assets. Those assets were amortized according to various lives ranging from five to nine years. In accordance with Financial Accounting Standard No. 121, the Company is required to periodically review the value of its intangible assets. During the fourth quarter of 2001, the Company's analysis and review, utilizing the methodology of SFAS No. 121, resulted in an $11.8 million impairment loss of the intangible assets of the Company. The major reasons for the impairment were new technologies being integrated in the Company's current and future products causing its existing product platforms to have reduced future revenue generation capability, and an expectation that immediate opportunities for new software sales are lower than were forecasted at the time of the merger with MCS.

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The following table summarizes the Company's changes in account balances for its Intangible Assets during the year ended December 31, 2002.

	ORIGINAL COST	ASSETS DISPOSED	IMPAIRMENT WRITE-DOWN	ACCUMULATED AMORTIZATION	12/31/02 NET BOOK VALUE
Developed technology	$ 10,650,000	$ -	$ (4,220,000)	$ (3,438,000)	$ 2,992,0
Customer base	1,700,000	(510,000)	-	(374,000)	816,0
Goodwill	14,151,000	(2,906,000)	(7,580,000)	(3,165,000)	500,0
	$ 26,501,000	$(3,416,000)	$(11,800,000)	$ (6,977,000)	$ 4,308,0

NOTE 8 - NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

On July 1, 2002, the Company completed a recapitalization plan initiated on April 8, 2002. The recapitalization plan was approved by the common shareholders of the Company at the June 6, 2002 annual stockholders' meeting. The effect of the recapitalization plan is summarized below for each note payable and presented comparatively in the following chart at December 31, 2002 and 2001. In accordance with the terms of the recapitalization plan, the December 31, 2002 balances of Long term convertible notes payable to B. C. O'Donnell, J. E. Reed and Mestek include capitalized interest accrued from July 1, 2002 and December

31, 2002.

	DECEMBER 31, 2002	DECEMBER 31,
SHORT TERM:		
Line of Credit	$ 4,525,000	$ 5,572,
	$ 4,525,000	$ 5,572,
LONG TERM:		
Convertible Note Payable - J. E. Reed	$ -	$ 3,500,
Note Payable - Mestek	-	1,019,
Convertible Note Payable - B. C. O'Donnell	619,000	600,
Note Payable - J. E. Reed Capitalized interest	-	184,
Note Payable - Mestek Capitalized Interest	-	40,
Convertible Note - Mestek	-	4,126,
Convertible Note - J.E. Reed	-	3,668,
Note Payable - J.E. Reed Accrued Interest	-	107,
	$ 8,520,000	$ 5,343,

LINE OF CREDIT:

On July 12, 2000, the Company entered into a $6.0 million Loan and Security Agreement Facility with Wainwright Bank and Trust Company (the Wainwright Facility), a commercial bank, under which the Company granted a first priority

position on substantially all of its assets as security. The Wainwright Facility was used to pay off the line of credit with Silicon Valley Bank, certain short-term loans from Mestek, Inc. (a related party, see Note 9), and a loan from David O. Ellis. Borrowings under the Wainwright Facility accrue interest at the bank's prime rate per annum and require monthly payments of interest. The Wainwright Facility currently matures on October 1, 2004. The Company's obligations under the Wainwright Facility are guaranteed by Mestek in consideration of which the Company issued a warrant to Mestek to purchase 104,712 shares of the Company's common stock. As a result of the July 1, 2002 recapitalization, the warrant was cancelled.

CONVERTIBLE NOTE PAYABLE - BARRETT C. O'DONNELL:

On November 11, 1999, Simione borrowed $500,000 from Barrett C. O'Donnell and $250,000 from David O. Ellis, both on an unsecured basis, and executed promissory notes in connection therewith. Dr. Ellis and Mr. O'Donnell are directors of the Company. When the CareCentric/MCS merger was completed on March 7, 2000, the Company succeeded to both of these obligations. The note payable to Dr. Ellis, which accrued interest at 9% per annum, was paid in full on July 12, 2000 in advance of its August 15, 2000 maturity. The note payable to Mr. O'Donnell included interest at 9% per annum, was scheduled to mature on May 11, 2002, and required quarterly payments of accrued interest. On August 8, 2000, the $500,000 note payable to Mr. O'Donnell, together with $100,000 of deferred salary, was cancelled in exchange for a $600,000 subordinated note, convertible into CareCentric common stock at a strike price of $2.51 per share, with interest at 9% per annum and a five-year maturity. In January 2002, this loan was amended to change the interest rate to prime plus two percent and to change the terms of payment of interest for 2002 to require that one-half of the accrued interest be timely paid each quarter and the balance to be paid on December 31, 2003 or to be converted into an additional convertible note. In December 2002, Mr. O'Donnell agreed to adjust the terms of the Note Payable to provide consistent treatment with the Mestek and J.E. Reed convertible notes payable as existing after the July 1, 2002 recapitalization plan. The effect of this adjustment was to reduce the interest rate on the note payable to a fixed rate of 6.25% and to defer all interest earned from July 1, 2002 through June 30, 2004 at which time the accumulated interest totaling $75,000 will be capitalized into the principal of the note payable. After June 30, 2004, the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the Barrett C. O'Donnell note will mature and become payable on June 30, 2007. Additionally, the $600,000 note together with the value of accrued interest may be converted at the rate of $1.00 per share into CareCentric common stock exercisable at any time after July 1, 2002. The new notes are subordinated to the Wainwright Bank $6.0 million line of credit.

CONVERTIBLE NOTE PAYABLE - MESTEK:

Prior to the July 1, 2002 recapitalization plan, the Company was obligated under a) an 18-month unsecured promissory note in the principal amount of $1,019,000 payable to Mestek Inc., that earned interest at prime plus one and one half percent (1.5%), with interest payable semiannually and matured on September 30, 2003 and b) additional notes payable to Mestek in the amounts of $40,000, $535,000 and $350,000. These additional notes payable earned interest at prime plus two percent (2.0%) for the $40,000 note and prime plus one percent (1.0%) for the $535,000 and $350,000 notes until all principal and accrued interest amounts were paid in full. These funds were advanced by Mestek to CareCentric to cover payroll and accounts payable obligations incurred by the Company, working capital needs of the Company during the period of its transition of senior lenders from Silicon Valley Bank to Wainwright Bank and Trust Company, accrued and unpaid interest thereon and the unreimbursed portion of Mr. Bruce Dewey's salary for the periods from November 9, 1999 to October 31, 2001 when he was Chief Executive Officer of the Company.

On July 1, 2002, under the terms of the recapitalization plan, all notes payable to Mestek by the Company were consolidated together with a) $1,000,000 of Mestek's previous participation in the J. E. Reed facility, b) accrued unpaid interest on all notes payable to Mestek aggregating $42,560, c) accrued unpaid interest on Mestek's participation in the J. E. Reed facility of $33,750, d) $850,000 of cancelled Mestek Series C Preferred stock, and e) $129,748 of cash paid on July 1, 2002 by Mestek to the Company to create a single consolidated $4,000,000 convertible note payable. The terms of the single consolidated Mestek

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note are that interest accrues and accumulates at a per annum rate equal to six and one-quarter percent (6.25%) through June 30, 2004, at which time the accumulated interest will be capitalized into the related note. After June 30, 2004, the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the Mestek note will mature and become payable on June 30, 2007. Additionally, the new $4.0 million Mestek note and the $3.6

million J. E. Reed note, together with the value of accrued interest, may be converted at the rate of $1.00 per share into CareCentric common stock exercisable at any time after July 1, 2002. The new notes are subordinate to the Wainwright Bank $6.0 million line of credit.

CONVERTIBLE NOTE PAYABLE - J. E. REED:

Prior to the July 1, 2002 recapitalization plan, the Company was obligated under a financing facility (the J. E. Reed Facility) provided by John E. Reed, Chairman of CareCentric and the Chairman and Chief Executive Officer of Mestek, Inc. The J. E. Reed Facility consisted of a $6.0 million subordinated line of credit, convertible into common stock of the Company at a strike price of $2.51 per share, with interest at 9% per annum and a five-year maturity. The J. E. Reed Facility was secured by a second position on substantially all of the Company's assets. At December 31, 2002 and 2001, borrowings were equal to $4,668,000 and $3,500,000 respectively, $1,000,000 of which was participated to Mestek at December 31, 2002 and 2001. On December 31, 2001, the facility was amended to change the interest rate to prime plus two percent (2.0%) and to change the payment term for unpaid 2001 interest to require payment on December 31, 2003, or convert the outstanding unpaid interest to additional convertible notes, in the amount of $184,438 at the option of Mr. Reed, and in the amount of $40,463 at the option of Mestek, and to change the terms of payment of interest for 2002 to require that one-half be timely paid each quarter and the balance be paid on December 31, 2003 or be converted to additional convertible notes. On March 27, 2002 the Company received an additional $871,117 advance on the J.E. Reed Facility.

On July 1, 2002, under the terms of the recapitalization plan, all principal amounts advanced under the J.E. Reed Facility, less the $1,000,000 participation by Mestek, together with interest accrued through December 31, 2001 were consolidated into a single consolidated $3,555,555 convertible note payable. The terms of the single consolidated J.E. Reed note are that interest accrues and accumulates at a per annum rate equal to six and one-quarter percent (6.25%) through June 30, 2004, at which time the accumulated interest will be capitalized into the related note. After June 30, 2004, the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the J. E. Reed note will mature and become payable on June 30, 2007. Additionally, the new $3.6 million J. E. Reed note, together with the value of accrued interest may be converted at the rate of $1.00 per share into CareCentric common stock exercisable at any time after July 1, 2002. The new notes are subordinated to the Wainwright Bank $6.0 million line of credit.

NOTE PAYABLE - J. E. REED ACCRUED INTEREST:

Under the terms of the July 1, 2002 recapitalization, $103,818 of accrued interest earned on all advances under the J.E. Reed Facility during the period January 1, 2002 and June 30, 2002 was capitalized into a separate note payable that accrues and accumulates interest at a per annum rate equal to six and one-quarter percent (6.25%) through September 30, 2004, with interest compounded quarterly. After September 30, 2004, the accumulated interest will be capitalized into the related note and the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly. Together with any unpaid principal and accrued interest, the separate J. E. Reed accrued interest note will mature and become payable on June 30, 2007. The J. E. Reed accrued interest note is subordinated to the Wainwright Bank $6.0 million line of credit.

CAPITAL LEASE OBLIGATIONS:

The Company is obligated under a number of capital lease obligations originally entered into by CareCentric related to computer equipment formerly used in CareCentric's business.

The fair value of the Company's long-term debt is estimated based on the current interest rates offered to the Company for debt offered under the liquidity conditions and credit profile of the Company. Management believes the carrying value of debt and the contractual values of the outstanding letters of credit approximate their fair values as of December 31, 2002.

Cash paid interest was $285,000, $491,000 and $510,000 during the years ended December 31, 2002, 2001 and 2000, respectively.

Maturities of long-term debt in each of the next five years are as follows in thousands:

2003	$ -
2004	-
2005	-
2006	-
2007	8,520
Total	$ 8,520

NOTE 9 - COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

The Company is engaged in various legal and regulatory proceedings arising in the normal course of business which management believes will not have a material adverse effect on its financial position or results of operations.

Simione Central Holding, Inc., a subsidiary of CareCentric now known as SC Holding, Inc. ("SC Holding") was one of several defendants named in a "whistleblower" lawsuit related to alleged Medicare fraud filed under the False Claims Act in the Northern District of Georgia (U.S. ex re. McLendon v. Columbia/HCA Healthcare Corp., et al., No. 97-VC-0890 (N.D. Ga.)). The lawsuit involves alleged claims that SC Holding allegedly participated in a conspiracy with Columbia/HCA and other third parties to bill inflated and fraudulent claims to Medicare. On July 21, 1999, the Justice Department issued notice that it had elected not to join in the claims asserted against SC Holding by Donald McLendon, who is a former employee of an unrelated service provider to Columbia/HCA. Although the Justice Department joined the suit with regard to other defendants, it specifically declined to intervene with regard to SC Holding. In late 2000, CareCentric was advised by Mr. McLendon's attorney that notwithstanding the declination by the Justice Department, Mr. McLendon intends to pursue "whistleblower" claims against SC Holding directly. Through March 22, 2002, no such action has been taken and nothing further has been heard from McLendon's attorney over one year. Management believes that this claim has been abandoned. In the event a claim is asserted, however, CareCentric and SC Holding intend to vigorously defend against it.

COMMITMENTS

The Company leases its office facilities and certain equipment under various operating lease agreements. These leases require the Company to pay taxes, insurance, and maintenance expenses and provide for renewal options at the then fair market rental value of the property.

Aggregate annual rental payments for operating leases with non-cancelable lease terms in excess of one year, net of non-cancelable subleases, are as follows:

	LEASE OBLIGATIONS	
Years Ending December 31,	Gross Obligations	Net of Sublease Agreements
2002	$ 771,000	$ 744,000
2003	761,000	761,000
2004	540,000	540,000
2005	255,000	255,000
2006	263,000	263,000
Thereafter	85,000	84,000
Total	$ 2,675,000	$ 2,647,000

Aggregate annual rental payments for operating leases with non-cancelable lease terms in excess of one year.

Rent expense approximated $0.8 million, $1.1 million and $1.2 million, for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 10 - INCOME TAXES

Deferred income taxes reflect the net effect of temporary differences between the financial reporting carrying amounts of assets and liabilities and income tax carrying amounts of assets and liabilities. The components of the Company's deferred tax assets and liabilities are as follows:

	YEARS ENDED DECEMBER 31,	
	2002	2001
Deferred tax assets:		
Net operating loss	$ 14,619,000	$ 13,946,000
Severance and other restructuring charges	-	837,000
Allowance for doubtful accounts	496,000	396,000
Deferred revenue	2,158,000	2,264,000
Depreciation	43,000	33,000
Other	342,000	333,000
Total deferred tax assets	17,658,000	17,809,000
Valuation allowance	(17,658,000)	(17,809,000)
	$ -	$ -

The Company has approximately $38.5 million of net operating losses for income tax purposes, including approximately $22.0 million incurred by Simione Central Holdings, Inc. prior to the merger on March 7, 2000, available to offset future taxable income. Such losses begin expiring in 2008. The Company's use of the net operating losses incurred by Simione prior to the merger is subject to limitations in the Internal Revenue Code relating to changes in ownership. A valuation allowance reducing the total net deferred tax assets set forth above to zero has been recorded based on management's assessment that it is "more likely than not" that this net asset is not realizable as of December 31, 2002.

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Actual income tax expense differs from the "expected" amount (computed by applying the U.S. Federal corporate income tax rate of 34% to the loss before income taxes) as follows:

	YEARS ENDED DECEMBER 31, 2002	2001
Federal tax benefit computed at statutory rates	$ 100,000	$ (7,853,000)
State income taxes, net of federal effect	13,000	(1,351,000)
Other, net	38,000	5,217,000
Change in valuation allowance	(151,000)	4,002,000
Income tax expense (Benefit)	$ -	$ 15,000

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Company has adopted 401(k) plans that cover substantially all employees. The Company contributes to the plans based upon the dollar amount of each participant's contribution. The Company made contributions to these plans of approximately $114,000, $140,000 and $189,000 in 2002, 2001 and 2000, respectively. These contributions relate to the CareCentric, Inc. 401(k) Plan (formerly Simione Central Holdings, Inc. Plan), which survived the merger with MCS, Inc., for 2002, 2001 and 2000.

NOTE 12 - SHAREHOLDERS' EQUITY

COMMON SHARES - 20,000,000 SHARES AUTHORIZED

Common Shares - 20,000,000 shares authorized, $.001 par value, 4,371,350 shares issued and outstanding as of December 31, 2002 and 2001. Of the 4,371,350 shares of common stock outstanding, 1,489,853 of such shares were issued on March 7, 2000 to the former MCS common shareholders and 606,904 of such shares were issued on March 7, 2000 to the former preferred shareholders and noteholders of CareCentric Solutions, Inc., which shares were converted from Series A Preferred Stock into CareCentric (formerly known as Simione Central Holdings, Inc.) common shares in connection with the merger.

Pursuant to the terms of the July 12, 1999 merger agreement by which

Simione acquired the stock of CareCentric Solutions, Inc., the Company was required to issue up to an additional 606,904 shares of common stock to the former preferred shareholders and noteholders of CareCentric Solutions if the average closing price of the Company's stock for the period October 1, 2000 through December 31, 2000 is not equal to or greater than $15.00 per share. Since the Company's average closing stock price for the fourth quarter of 2000 was less than $15.00 per share, on March 19, 2001, the Company issued 593,688 shares of its common stock to the former preferred shareholders and noteholders of CareCentric Solutions. As required by generally accepted accounting principles, no value was assigned to these shares as it was deemed not to impact total consideration paid. The Company asserted that it was not required to issue 13,216 additional shares of its common stock as well as 150,740 shares of common stock that were being held in escrow under the terms of the CareCentric Solutions Merger Agreement based upon various indemnification and expense overages claims the Company had against the former CareCentric Solutions preferred shareholders and noteholders. On May 16, 2001, the Company finalized a settlement of these claims with the representative of the former CareCentric Solutions parties pursuant to which 88,586 shares of common stock were released from escrow and distributed to the former CareCentric Solutions preferred shareholders and noteholders, the remaining 62,154 escrow shares were cancelled, no additional shares of common stock will be issued, and the parties executed a comprehensive settlement agreement.

Pursuant to a comprehensive settlement agreement on June 28, 2001, between Sterling Star, Inc., Mr. Ted Wade (President of Sterling Star, Inc.) and the Company, certain disputes related to the acquisition of a product named Tropical

Software were settled. Under the terms of the settlement, 10,000 shares of common stock originally issued to Sterling Star were returned to the Company and were cancelled.

PREFERRED STOCK-10,000,000 SHARES AUTHORIZED

Series B Preferred Stock -$.001 par value, 5,600,000 shares issued. The shares of Series B Preferred Stock are held by Mestek, Inc. (Mestek) and were issued in consideration of $6,000,000 paid to CareCentric on March 7, 2000, in the form of cash and debt forgiveness. The Series B Preferred shares, as originally issued, carried 2,240,000 common share votes (on a split-adjusted basis) and were entitled to a 9% annual cumulative dividend, among other rights. In connection with the Company's application for listing on the Nasdaq SmallCap Market, the Company reached an agreement with Mestek on June 12, 2000, under which Mestek agreed to allow the aforementioned number of common share votes to be reduced to 1,120,000 in consideration for the issuance by the Company to Mestek of a warrant to acquire up to 490,396 shares of CareCentric common stock, as more fully described below. On March 29, 2002, in connection with the refinancing commitments made to the Company by Mestek and John E. Reed (as further described in Note 14), Mestek transferred the voting rights associated with the Series B Preferred Stock to Mr. Reed. As a result of the July 1, 2002 recapitalization plan, the terms of the Series B Preferred Stock were amended to provide that each share is convertible into 1.072 shares of common stock.

Series C Preferred Stock - $.001 par value, 850,000 shares issued. As a result of the July 1, 2002 recapitalization plan, the Series C Preferred Stock was cancelled, and the $850,000 of cash value originally contributed by Mestek was consolidated into a Mestek convertible Note as more fully described in Note 8 above. In addition, $208,000 of accumulated and unpaid dividends through June 30, 2002 on the Series C Preferred Stock were cancelled and recorded as a reduction in preferred dividend expense and an increase in net income at June

30, 2002.

Prior to the July 1, 2002 capital restructuring, the shares of Series C Preferred Stock were held by Mestek and resulted from the conversion at the March 7, 2000 merger of a pre-existing $850,000 convertible note payable to Mestek. The Series C Preferred shares carried 170,000 common share votes (on a split adjusted basis) and were entitled to an 11% annual cumulative dividend, among other rights.

Series D Preferred Stock - $.001 par value, 398,406 shares issued. The shares of Series D Preferred Stock are held by John E. Reed and were issued on June 12, 2000 in consideration of $1.0 million paid to the Company in cash. The Series D Preferred shares have a 9% annual cumulative dividend, are convertible into common stock at an initial conversion price of $2.51 per share, limit the ability to issue dilutive stock options and have voting rights equal to those of the common stock, among other rights. As a result of the July 1, 2002 recapitalization plan, the Series D Preferred Stock conversion price per share was amended from $2.51 to $1.00.

Series E Preferred Stock - $.001 par value, 210,000 shares issued under a restricted stock award. The shares of Series E Preferred Stock are held by John R. Festa and the rights to those shares were granted on November 10, 2001. The Series E Preferred shares have a 3.5% annual non-cumulative dividend, are convertible into common stock at an initial conversion price of $1.00 per share and have voting rights equal to those of common stock, among other rights.

As of December 31, 2002, the Company had a cumulative preferred dividends liability of $1,755,350 comprised of $1,521,000 for Series B Preferred shares, $227,000 for Series D Preferred shares and $7,350 for Series E Preferred shares. Cumulative preferred dividends payable are included in the accrued liabilities account presented on the Consolidated Balance Sheets in the accompanying financial statements.

WARRANTS AND OPTIONS

Common Stock Warrants - In connection with the issuance of the Series B Preferred Stock described above, Mestek received a warrant to acquire up to 400,000 shares of the Company's common stock at a per share exercise price equal to $10.875. In connection with the waiver by Mestek of certain voting rights previously granted to it, Mestek received on June 12, 2000 a warrant to acquire

up to 490,396 shares of the Company's common stock for a term of 3 years at a per share exercise price equal to $3.21. In connection with Mestek's guarantee of the Company's obligations under the line of credit from Wainwright Bank and Trust Company, as more fully explained in Note 6 to these Financial Statements, Mestek received on July 12, 2000 a warrant to acquire up to 104,712 shares of the Company's common stock for a term of 3 years at a per share exercise price equal to $2.51. The aforementioned number of shares and per share prices is all on a split-adjusted basis. Other warrants existing prior to the merger transaction to acquire up to 25,000 shares of common stock remain outstanding.

As a result of the July 1, 2002 capital restructuring, the warrants issued to Mestek to purchase 490,396 and 400,000 shares of Company common stock were cancelled and reissued with an exercise price of $1.00 per share and an expiration date of June 15, 2004. Additionally, the warrants issued to Mestek to purchase 104,712 shares of the Company's common stock were cancelled. In accordance with SFAS No. 123, the fair value of the Mestek warrants to purchase 491,396 and 400,000 shares was reviewed immediately prior to and after the cancellation and reissuance. There was no material accounting impact of the cancellation and reissuance of the warrants.

At December 31, 2002, the Company had outstanding warrants to purchase shares of the Company's common stock as follows

DESCRIPTION OF WARRANTS	BEFORE JULY 1, 2002 EXERCISE PRICE	BEFORE JULY 1, 2002 EXPIRATION DATE	Afte[r] EXERCISE PRIC[E]
25,000 - Barrett C. O'Donnell	$ 5.00	February 24 ,2005	$ 5.00
400,000 - Mestek, Inc.	$ 10.88	March 7 2003	$ 1.00
490,396 - Mestek, Inc.	$ 3.21	June 30, 2003	$ 1.00
104,712 - Wainwright Bank	$ 2.51	July 12, 2003	Cancelled

Stock Options - Options totaling 1,000 shares were outstanding and vested under the now discontinued 1997 SCHI NQ (Directors) Plan at an exercise price of $60.00. Non-plan options totaling 97,933 shares, of which 89,600 are exercisable, were outstanding at exercise prices ranging from $2.51 to $45.00. The Simione Central Holding Inc. 1997 Omnibus Equity-Based Plan (the "Plan") is the only continuing stock option plan of the Company. The Plan offers both incentive stock options and non-qualified stock options. The Company is authorized to grant options of up to 900,000 shares of common stock. Options totaling 516,414 shares were outstanding, of which 292,749 shares are exercisable, at exercise prices ranging from $1.00 to $73.55. In 2002, options totaling 59,000 shares of common stock were granted to employees of the Company, pursuant to the Plan at exercise prices ranging at $1.00 per share. The following information is provided as of February 28, 2003.

A summary of the Company's stock option activity from December 31, 2000 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 2000	571,659	$ -
Options Assumed	152,500	$ 12.45
Granted		$ 2.15
Exercised	-	$ -
Forfeited and Cancelled	(145,870)	$ 16.11
Outstanding at December 31, 2001	578,289	$ 8.11

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Granted	59,000	$ 1.00
Exercised	-	$ -
Forfeited and Cancelled	(21,942)	$ 16.11

Outstanding at December 31, 2002	615,347	$ 7.56

AS OF DECEMBER 31, 2002

RANGE OF EXERCISE PRICES		OPTIONS OUTSTANDING: NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS: NUMBER EXERCISABL
$ 1.00	$ 7.36	433,000	8.40	$ 2.97	201,0
$ 7.36	$ 14.71	112,768	5.70	$ 9.88	112,7
$ 14.71	$ 22.07	13,000	3.20	$ 15.96	13,0
$ 29.42	$ 36.78	40,965	4.30	$ 32.22	40,9
$ 36.78	$ 44.13	5,000	3.70	$ 42.50	5,0
$ 44.13	$ 51.49	8,000	5.00	$ 45.00	8,0
$ 51.49	$ 58.84	1,580	4.70	$ 55.63	1,5
$ 58.84	$ 66.20	1,000	4.40	$ 60.00	1,0
$ 66.20	$ 73.55	34	6.30	$ 73.55	
		615,347	7.40	$ 7.56	383,3

In connection with the Simione/MCS merger on March 7, 2000, Mestek was granted a series of options to purchase a total of approximately 378,295 shares of the Company's common stock (on a split-adjusted basis). These options are exercisable only to the extent that outstanding CareCentric options, warrants or other conversion rights are exercised. These options were designed to prevent dilution of Mestek's ownership interest in the Company after the merger. As options, warrants and other common rights are forfeited or cancelled, Mestek's option rights are correspondingly reduced. Due to the contingent nature of these options, they have been excluded from the above tables. At December 31, 2002, 159,573 shares of such options were available under the original terms of issuance.

For the purposes of pro forma disclosures, the estimated fair value of the stock options is amortized to expense over the options' vesting periods. Risk-free interest rates of 4.13% and 4.31%; no dividends; a volatility factor of the expected market price of the Company's common stock of 1.97998 and 1.40685; and a weighted-average expected life (unchanged) of the options of 3.97 years for 2002 and 2001. The weighted average fair value assigned to options granted in 2002 and 2001 was $0.63 and $1.35, respectively. For 2002 and 2001 respectively the Company's pro forma net loss and net loss per share (basic and diluted) are $144,000 and $25,514,000 and $0.03 and $5.97.

NOTE 13 -- SELECTED QUARTERLY INFORMATION (UNAUDITED)

The table below sets forth selected quarterly information for each full quarter of 2002 and 2001.

	FISCAL YEAR 2002 (IN THOUSANDS, EXCEPT PER SHARE DATA)			
	MAR. 31,	JUNE 30,	SEPT. 30,	DEC.
Net revenues:	$ 5,253	$ 5,848	$ 5,646	$
Costs and expenses:				
Cost of revenues	1,676	1,785	1,739	
Selling, general and administrative	2,699	2,589	2,064	
Research and development	947	942	891	
Amortization and Depreciation	425	423	424	
Total costs and expenses	5,747	5,739	5,118	
Income (loss) from operations	(494)	109	528	
Other income (expense):				
Other income	-	-	-	
Interest expense	(168)	(153)	(174)	
Interest and other income	(2)	15	12	
Income (loss) before taxes	(664)	(29)	366	
Income tax benefit (expense)	-	-	-	
Net income (loss) income from continuing operations	(664)	(29)	366	
Discontinued operation				
Loss on disposal of discontinued operations	-	-	-	
Loss from operations of discontinued segment before taxes	-	-	-	
Applicable tax expense	-	-	-	
Net (loss) from operations and disposal of discontinued segment	-	-	-	
Net income (loss)	$ (664)	$ (29)	$ 366	$
Cumulative preferred dividends	(180)	34	(184)	
Net income (loss) available to common shareholders	$ (844)	$ 5	$ 182	$

Net income (loss) per share - basic and diluted from continuing operations	$ (0.15)	$ (0.01)	$ 0.08	$
Weighted average common shares - Basic and diluted	4,371	4,371	4,371	
Net (loss) per share - basic and diluted from discontinued operations	$ -	$ -	$ -	$
Weighted average common shares - basic and diluted	4,371	4,371	4,371	
Net income (loss) per share - basic and diluted	$ (0.15)	$ (0.01)	$ 0.08	$

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Weighted average common shares -basic and diluted	4,371	4,371	4,371	
Net income (loss) per share - basic and diluted available to common shareholders	$ (0.19)	$ (0.00)	$ 0.04	$
Weighted average common shares - basic and diluted	4,371	4,371	4,371	

	FISCAL YEAR 2001 (IN THOUSANDS, EXCEPT PER SHARE DATA)			
	MAR. 31,	JUNE 30,	SEPT. 30,	DEC. 31,
Net revenues:	$ 5,679	$ 5,302	$ 4,769	$ 4,69
Costs and expenses:				
Cost of revenues	2,108	2,004	1,646	2,45
Selling, general and administrative	2,825	2,711	2,550	2,62
Research and development	1,767	1,609	1,413	1,36
Write down of intangibles	-	-	-	11,79
Amortization and Depreciation	951	950	1,011	95
Restructuring Charges	-	675	-	
Total costs and expenses	7,651	7,949	6,620	19,20
(Loss) from operations	(1,972)	(2,647)	(1,851)	(14,51
Other income (expense):				
Interest expense	(124)	(149)	(39)	(28
Interest and other income	126	68	29	(18
(Loss) before taxes	(1,970)	(2,728)	(1,861)	(14,98

Income tax benefit (expense)	-	-	-	(1
Net (loss) income from continuing operations	(1,970)	(2,728)	(1,861)	(14,99
Discontinued operation				
Loss on disposal of discontinued operations	-	-	(2,632)	
Loss from operations of discontinued segment before taxes	(185)	(73)	(226)	
Applicable tax expense	-	-	-	
Net (loss) from operations and disposal of discontinued segment	(185)	(73)	(2,858)	
Net (loss) income	$ (2,155)	$ (2 ,801)	$ (4,719)	$ (14,99
Cumulative preferred dividends	(176)	(178)	(180)	(18
Net (loss) available to common shareholders	$ (2,331)	$ (2,979)	$ (4,899)	$ (15,18

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(Loss) per share - basic and diluted from continuing operations	$ (0.50)	$ (0.62)	$ (0.43)	$ (3.4
Weighted average common shares - basic and diluted	3,922	4,418	4,371	4,37
Net (loss) per share - basic and diluted from discontinued operations	$ (0.05)	$ (0.02)	$ (0.65)	$
Weighted average common shares - basic and diluted	3,922	4,418	4,371	4,37
Net (loss) per share - basic and diluted	$ (0.55)	$ (0.63)	$ (1.08)	$ (3.4
Weighted average common shares -basic and diluted	3,922	4,418	4,371	4,37
Net (loss) per share - basic and diluted available to common shareholders	$ (0.59)	$ (0.67)	$ (1.12)	$ (3.4
Weighted average common shares - basic and diluted	3,922	4,418	4,371	4,37

Quarterly earnings per share figures do not arithmetically add to the full year of 2001 earnings per share due to interim changes in weighted average shares outstanding during 2001 and due to rounding. The numbers above reflect the effect of a one for five reverse stock split effected in connection with the MCS/Simione merger on March 7, 2000.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company subleased certain space to Healthfield, Inc. which is a MestaMed(R) customer and has a significant shareholder who was a former member of the board of directors of the Company. The original lease and related sublease expired on December 31, 2002 and required annual sublease payments equal to the original lease payments of approximately $730,000.

Winston R. Hindle, Jr., a director of the Company, is a director of Mestek, Inc. Mestek has certain investments in the Company in the form of notes, convertible notes, warrants, stock options and preferred stock as described in Note 8 and Note 12 to the Financial Statements included in this Report.

The Company has a note receivable from Simione Consultants, LLC of $409,000 at December 31, 2002. On September 28, 2001, the Company discontinued its Consulting business segment by closing the sale of certain of the assets of its wholly-owned subsidiary, Simione Consulting, Inc. ("Consulting") to Simione Consultants, LLC, which is owned and controlled by William J. Simione, Jr., a director and former officer of CareCentric. The total sales price was approximately $2.0 million plus the assumption of certain liabilities. The sale was made pursuant to an asset purchase agreement. William Simione, Jr. has resigned as an officer of CareCentric, however, William Simione, Jr. remains a director of CareCentric. The assets sold under the agreement included the Consulting accounts receivable, computer equipment, and miscellaneous prepaid expenses. Consideration received consisted of approximately $1.0 million in cash and $1.0 million in notes, $770,000 with a 36-month term and $230,000 with a 5-month term. The cash proceeds were used to pay down CareCentric's line of credit.

On December 13, 2002, the Company entered into a racing sponsorship agreement for a one-year sponsorship of a racing team at a total cost of approximately $125,000. The son of John Festa, the Company's President and Chief Executive Officer, is one of several members of the racing team being sponsored. The Company believes that the terms of the agreement are arms-length and that third parties are paying comparable amounts of at least $120,000 for similar arrangements. The Company will use the sponsorship in its advertising program,

tradeshows and launch of the AC-CURA(TM) product. Mr. Festa will receive no financial benefit from the sponsorship.

As of December 31, 2002, the Company had a promissory note outstanding to Barrett C. O'Donnell, a director of the Company, as described in Note 8 to the Financial Statements included in this report. Barrett C. O'Donnell also owns 25,000 warrants for the purchase of common shares of the Company at an exercise price of $5.00 per share.

John E. Reed is a director and a significant, but not controlling, shareholder of the Wainwright Bank and Trust Company which has provided the Company with a $6.0 million line of credit, as more fully explained in Note 8 to the Financial Statements included in this report.

John E. Reed, Chairman of the Company and Chairman and Chief Executive Officer of Mestek, Inc., has at December 31, 2002 provided the Company $3.7 million, including accrued interest, (unrelated to the Wainwright Bank and Trust $6.0 million line of credit described above) of financing in the form of convertible notes payable as more fully described in Note 8 to the Financial Statements and also owns $1.0 million of the Company's Series D Preferred Stock as more fully described in Note 12 to the Financial Statements included in this report. An independent committee of the Company's Board of Directors, consisting of Barrett C. O'Donnell and David O. Ellis, negotiated the terms of Mr. Reed's debt and equity investments in the Company. The issuance of 398,406 shares of Series D Preferred Stock to Mr. Reed for his $1.0 million equity investment was based on a per share price of $2.51, which was the 5-day average closing price of CareCentric common stock as of the date of the final negotiation of the terms of Mr. Reed's purchase. On July 1, 2002, the Company recapitalized certain loans and preferred stock in accordance with a shareholder approved plan under which the conversion price for Mr. Reeds notes payable and Series D Preferred Stock was changed to $1.00. See Note 8 to the Financial Statements.

Mestek, Inc. has, at December 31, 2002, provided the Company $4.1 million of financing in the form of convertible notes payable as more fully described in Note 8 to the Financial Statements and also is the Guarantor of the $6.0 million Wainwright Bank and Trust line of credit. Additionally, Mestek, Inc. owns $6.0 million of the Company's Series B Preferred Stock. Warrants were granted in June 2000 by the Company to Mestek, Inc. in connection with its waiver of certain voting rights previously granted to it in connection with its purchase of the Series B Preferred Stock of the Company. On July 1, 2002, the Company recapitalized certain loans and preferred stock in accordance with a shareholder approved plan under which the conversion price for Mestek's Series B Preferred Stock and notes payable was changed to $1.00. The terms of the warrants (as described in more detail in Note 12 to the Financial Statements) were based on negotiations by independent committees of the Boards of Directors of the Company and Mestek.

NOTE 15 - LICENSE AGREEMENTS

The Company licenses certain software products from third parties for incorporation in, or other use with, its products and is obligated to pay license fees in connection with such products. The Company sublicenses such products to its customers and collects fees in connection with such sublicensees.

NOTE 16 - EXECUTIVE COMPENSATION

The Company has entered into an employment agreement with its President and Chief Executive Officer, Mr. John Festa on October 22, 2001. The agreement provided for: i) the grant of 210,000 shares of Series E preferred stock, one half of which vest evenly over the course of three years from his hire date dependent upon his continued employment as President and CEO and one half of which are forfeitable pro rata over a three year period if certain financial milestones are not met, ii) payment of an annual bonus of up to 50% of his annual salary based on completion of annual performance objectives; and iii) the possibility of receiving a special bonus which varies in dollar amount in the event there is a sale of the Company while Mr. Festa is President and CEO and for nine months thereafter.

The Company, with Mr. Festa's consent, agreed to terminate his right to a $100,000 cash bonus for the year ending December 31, 2002 and to deploy funds to a marketing, sales and promotional motorsports racing-based initiative of the Company.

NOTE 17 - LIQUIDITY

As disclosed in the financial statements, the Company's operations used significant amounts of cash in 2002. The Company has a working capital deficit of $12.1 million at December 31, 2002.

The merger of MCS with Simione added additional products and resources and, importantly, added to the Company's critical mass of installed sites but the Company's longer-term success will depend upon increased sales of new software systems and successful installation performance. Additionally, the Company's continuing efforts to develop new products using the latest software and hardware platforms will be most important to its long-term success.

As of February 28, 2003, the Company had unused credit capacity of approximately $1.8 million from the Wainwright Bank Loan Facility. The Company believes that the combination of unused credit capacity from the Wainwright Bank facility and the funds available from cash to be generated from future operations will be sufficient to meet the Company's operating requirements through at least December 31, 2003, assuming no material adverse change in the operation of the Company's business.

NOTE 18 - SUBSEQUENT EVENTS

In January 2003, the Company reached agreement with Columbia HCA regarding certain litigation between the companies involving services contract obligations related to health agency activities which the Company had been involved in prior to 1999 when it was called Simione Central Holdings, Inc. The settlement was completed in February 2003 with no future obligation due from the Company and a payment of $290,000 made to the Company.

On January 29, 2003, CareCentric received an offer to merge with Borden Associates, Inc. In the proposed transaction, Borden would merge into CareCentric and purchase the shares of shareholders holding less than 4,000 shares for $0.55 per share. Each share of CareCentric common stock owned of record by a holder of 4,000 shares or more of CareCentric common stock will continue to represent one share of common stock after the merger. The outstanding shares of Borden Associates capital stock will, in the aggregate, be converted into the right to receive that number of shares of CareCentric common stock equal to the quotient of the total cash consideration paid to the holders of fewer than 4,000 shares of CareCentric common stock divided by the $0.55 per share price. CareCentric would remain the surviving entity. The Company filed a Form 8-K on February 4, 2003 summarizing the terms of the offer. This transaction, if consummated, may result in the Company becoming private so that it would no longer be a reporting company under SEC regulations or be publicly traded on the OTC Bulletin Board. The Board of Directors is evaluating the proposal and has formed a special committee of independent directors, consisting of Winston R. Hindle, Jr. and William J. Simione, Jr., to evaluate, respond or negotiate the proposal with the principals of Borden Associates. Borden Associates is an investment company formed for the purpose of this transaction and owned by John Reed, Stewart Reed and James Burk. John Reed and Stewart Reed are material shareholders of CareCentric and members of its Board of Directors. As of March 10, 2003, the special committee of the Board has selected legal counsel and an investment banking firm to assist in the special committee's review of the offer by Borden Associates.

CARECENTRIC, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGES TO COST AND EXPENSE	DEDUCTIONS(1)	BAL
Year ended December 31, 2002 Allowance for Doubtful Accounts	$ 1,042,000	350,000	85,000	$
Year ended December 31, 2001 Allowance for Doubtful Accounts	$ 551,000	$ 500,000	$ 9,000	$
Year ended December 31, 2000 Allowance for Doubtful Accounts	$ 166,000	$ 538,000	$ 153,000	$

(1) Net Write-offs of uncollectible accounts

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