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HealthStream Adds Clinical Assessment System through Acquisition of Performance Management Services, Inc.

NASHVILLE, Tenn.--(BUSINESS WIRE)-- HealthStream, Inc. (NASDAQ: HSTM), a leading provider of workforce, patient experience, and provider solutions for the healthcare industry, today announced that it has acquired Performance Management Services, Inc. (PMSI), a Tustin, California-based company focused on competency-based performance development of nurses. Through the acquisition, HealthStream adds to its workforce development solutions with PMSI's industry-leading clinical assessment tool—the Performance Based Development System (PBDS).

"CHRISTUS Health has utilized PBDS since 2003," said Robbie Bezemek, MSN, RN, Ed.D. Director, Clinical Education, CHRISTUS Health. "We have found it to be a highly effective tool for identifying the development needs of our nursing staff and supporting improved clinical outcomes. I am excited about the new partnership and look forward to the product enhancements that will result from HealthStream's investment."

The PBDS was created to help hospital educators proactively assess nurses' clinical judgment abilities, thereby ensuring that performance standards are met for optimal patient care and experience. This clinical assessment system allows for quick recognition of nurses' level of skill and allows hospitals to formulate training that is individualized to a nurse's skills and background, which is particularly important for those that are newly hired. "The acquisition of PMSI by HealthStream greatly expands the potential reach of this highly effective assessment tool," said Elliot Saulten, co-founder, PMSI. "By having the most-adopted workforce development platform in healthcare, HealthStream can leverage its industry leading position to offer PBDS to hospitals, nationwide."

The PBDS evaluates a nurse's ability to think critically in various clinical situations, which focus on three main areas: critical thinking, interpersonal relationship skills, and technical skills. The bulk of the assessment involves the watching of short videos that simulate clinical practice scenarios. Nurses are then asked to identify risks or problems and how they would manage them, as well as differentiating the urgency of specific actions. By identifying potential performance concerns with the use of the PBDS, a hospital's risk can be mitigated in a proactive manner with individualized development plans that build competence and confidence.

The creator of PBDS, Dorothy del Bueno, Ed.D, RN, described the program's goal as "providing a foundation for new nurses to perform advanced beginner competencies so they can continue to develop into proficient nurses." The efficacy of using simulation to test critical thinking skills of nurses—and, in particular, using del Bueno's PBDS for this testing—has been well documented. The PBDS has been repeatedly validated in academic nursing journals, such as *Nurse Education Today*, *Journal of Nursing Staff Development*, and *Nurse Management*.

As the assessment system can be delivered online or in hard copy form, PBDS expands HealthStream's suite of workforce development solutions offered on its platform to the nation's hospitals. It offers an important tool that can be used to better target learning and track competencies utilizing other applications on HealthStream's platform, such as the Learning Center and Competency Center. Accurate assessment of new nurses' competencies can expedite the onboarding process as it prevents hospitals from spending time on areas where nurses are already skilled. It allows targeted training for each nurse that maximizes proficiency and minimizes time to mastery, thus enabling hospitals to provide safer, more competent care to patients.

"I would like to extend a warm welcome to PMSI's clients and employees that will be joining the HealthStream family," said Robert A. Frist, Jr., Chief Executive Officer, HealthStream. "We look forward to offering this important clinical assessment system to healthcare organizations as we continue to add products and capabilities to our innovative workforce development suite."

Terms of the Transaction: HealthStream acquired PMSI through a merger for approximately \$4.0 million in cash at closing and up to an additional \$500,000 in contingent consideration, which may be earned over a two-year period following closing subject to PMSI's achievement of certain financial targets.

About HealthStream

HealthStream (NASDAQ: HSTM) is dedicated to improving patient outcomes through the development of healthcare organizations' greatest asset: their people. Our unified suite of solutions is contracted by, collectively, approximately 4.5

million healthcare employees in the U.S. for workforce development, training & learning management, talent management, credentialing, privileging, provider enrollment, performance assessment, and managing simulation-based education programs. Our research solutions provide valuable insight to healthcare providers to meet HCAHPS requirements, improve the patient experience, engage their workforce, and enhance physician alignment. Based in Nashville, Tennessee, HealthStream has additional offices in Laurel, Maryland; Brentwood, Tennessee; Pensacola, Florida; Jericho, New York; Boulder, Colorado; and San Diego, California. For more information, visit <http://www.healthstream.com> or call 800-933-9293.

This press release contains forward-looking statements that involve risks and uncertainties regarding HealthStream. This information has been included in reliance on the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. These forward-looking statements are based on a variety of assumptions that may not be realized, and which are subject to significant risks and uncertainties, including that the anticipated financial and strategic benefits of the acquisition may not be realized, as well as risks and uncertainties referenced from time to time in the Company's filings with the Securities and Exchange Commission.

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