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HealthStream Advances Talent Management Strategy with Acquisition of Decision Critical

Acquisition adds patented, electronic portfolio for healthcare professionals

NASHVILLE, Tenn.--(BUSINESS WIRE)-- HealthStream, Inc. (NASDAQ: HSTM), a leading provider of learning and research solutions for the healthcare industry, today announced that it has acquired Decision Critical, Inc., an Austin, Texas based company that specializes in learning and competency management products for acute-care hospitals. Through the acquisition, HealthStream adds a patented technology to its suite of innovative software-as-a-service (SaaS) based solutions as well as a customer base committed to advancing the development of their workforce.

"At HealthStream, we are passionate about developing the best possible products and capabilities to measure, manage, and develop hospitals' workforces," said Robert A. Frist, Jr., chairman and chief executive officer, HealthStream. "Having recently launched the HealthStream Performance Center™ and SimCenter™, we are continuing to add products and capabilities to our innovative talent management suite through the acquisition of Decision Critical."

Added to HealthStream's talent management product suite is Critical Portfolio™, a patented electronic portfolio, which is an ideal SaaS based tool to store and view the qualifications, competencies, and skills of the hospital's workforce, including their licenses, educational records, and credentials. Individual employees can maintain their individual profile, while hospital managers can access and use portfolio data for meeting regulatory reporting requirements or talent management needs such as succession planning and career ladder development. For HealthStream's customer base, which represents over half of the nation's acute-care hospitals, we believe Critical Portfolio will be a valuable add-on platform extension to our talent management suite of products.

For hospitals seeking and maintaining the Magnet™ designation, Critical Portfolio provides powerful capabilities. The Magnet Recognition Program® of the American Nurses Credentialing Center (ANCC) formally acknowledges healthcare organizations that epitomize nursing excellence. The extensive application process includes, among many other requirements, a comprehensive reporting of the qualifications and expertise of nursing personnel—including the ability to satisfy specific Magnet-required reporting.

We believe Critical Portfolio will support the approximately 400 current Magnet healthcare organizations—which include 237 that are currently HealthStream customers—that seek to maintain their status through their annual re-designation process, as well as those organizations that choose to initially embark on the prestigious Magnet journey.

"I would like to welcome Decision Critical's customers and employees to HealthStream. We look forward to further investing in the products and capabilities from Decision Critical as we continue to develop our innovative talent management suite for our hospital customers," said Robert A. Frist, Jr. chairman and chief executive officer, HealthStream.

Additional capabilities delivered to customers by Decision Critical include learning management, skills checklists, and evaluation tools. Customers of Decision Critical will experience continuity of the excellent service and support they have historically received. HealthStream's robust customer service and account management teams will be available to these customers. As part of HealthStream, customers of Decision Critical will also now have access to an expanded array of platform products, such as the HealthStream Competency Center, HealthStream Performance Center, SimCenter, and Insights Surveys, along with content offerings from world-class providers, such as Laerdal Medical, Lippincott Williams & Wilkins, and Precyse Solutions.

Kenneth ("Ken") W. Dion, Ph.D., MSN/MBA, RN, the founder and chief executive officer of Decision Critical, will join HealthStream as vice president, nursing informatics. With over 30 years of service in healthcare, Ken is an experienced industry thought leader in the areas of informatics, performance, and competency management. He currently sits on the Board of Trustees of the Foundation of the National Student Nurses' Association where he serves as president and the Foundation Board of the International Nursing Honor Society, Sigma Theta Tau.

"Our products have proven to be of significant benefit to many hospitals. Critical Portfolio has been particularly popular with the outstanding hospitals that have achieved Magnet designation as well as those on the Magnet journey. I am, therefore, delighted to join forces with HealthStream, an industry leader, to combine this solution with HealthStream's innovative product suite for talent management and thereby enriching the offering to the largest online hospital community of its type," said Mr. Dion.

Terms of the Transaction:

HealthStream has purchased all of the shares of Decision Critical for up to approximately \$4.3 million, which includes \$3.5 million of cash consideration, 22,124 shares of HealthStream's common stock and a contingent payment of \$300,000 based on the achievement of certain milestones post-closing.

HealthStream does not anticipate the acquisition of Decision Critical to have a material financial impact on full-year 2012 results.

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 software-as-a-service (SaaS) solutions are used by, collectively, approximately 2.8 million healthcare employees in the U.S. for training & learning management, talent management, performance assessment, and managing simulation-based education programs. Our research solutions provide valuable insight to healthcare providers to meet HCAHPS requirements, engage their workforce, and enhance physician alignment. Based in Nashville, Tennessee, HealthStream has an additional office in Laurel, Maryland. 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. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. This information has been, or in the future may be, 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. The Company's preliminary financial results, while presented with numerical specificity, are forward-looking statements which are based on a variety of assumptions regarding the Company's operating performance that may not be realized, and which are subject to significant uncertainties and potential contingencies associated with the Company's financial and accounting procedures and other matters referenced from time to time in the Company's filings with the Securities and Exchange Commission. Consequently, such forward-looking information should not be regarded as a representation or warranty by the Company that such projections will be realized.

HealthStream, Inc.

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