MEDIX RESOURCES INC
Form 10-K
April 01, 2002

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

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended December 31, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ TO ____________

Commission File Number 0-24768

MEDIX RESOURCES, INC.
(Name of small business issuer in its charter)

Colorado	84-1123311
(State or Other Jurisdiction of Incorporation or Organization	(IRS Employer Identification No.)

420 Lexington Avenue, Suite 1830
New York, New York 10170
(Address of Principal Executive Offices)

Issuer's Telephone Number: **(212) 697-2509**

Securities Registered Under Section 12(b) of the Exchange Act:
Common Stock - $.001 Par Value.

Securities Registered Under Section 12(g) of the Exchange Act:
None

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-X contained in this form, and no disclosure will be contained, to the best of 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. [X]

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 15, 2002 was approximately $31,707,233 (for purposes of the foregoing calculation only, each of the registrant's officers and directors is deemed to be an affiliate).

There were 58,386,516 shares of registrant's Common Stock outstanding as of March 15, 2001.

Documents incorporated by reference:
None

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PART I

ITEM 1. BUSINESS

Our Company

Medix Resources, Inc., a Colorado corporation ("Medix" or the "Company"), is an information technology company with its principal executive office in New York, New York. The Company also maintains offices in Agoura Hills, California, Greenwood Village, Colorado and Marietta, Georgia. We specialize in the development, marketing and management of software and connectivity solutions for clinical and business transactions within the healthcare industry. Through our wholly owned subsidiary, Cymedix Lynx Corporation, a Colorado corporation ("Cymedix"), we have developed the Cymedix(R) suite of software products as a toolkit to help modernize physician and healthcare communication technology and facilitate transaction productivity. We continue to enhance and refine our products to enable the many disparate information systems within the healthcare industry to communicate with one another and to expand the scope of healthcare transaction automation.

The Cymedix(R) suite of products facilitates the transmission of critical clinical, financial and administrative information between healthcare information systems, and provides healthcare institutions (such as health plans, insurers, hospitals and practicing physicians) with non-invasive software products that can be integrated with their existing software applications to provide Internet-enabled transaction capability between all parties. This approach is significant because it offers substantial utility to physicians who are cautious about making major adjustments to their practice disciplines or reluctant to invest heavily in new, administrative technologies.

The implementation of Cymedix(R) software products targets improved efficacy of daily interactions between health caregivers and their staffs, ancillary providers such as laboratories and pharmacy benefit managers (PBMs), insurance companies, hospitals, Integrated Delivery Networks (IDNs) and Health Maintenance Organizations (HMOs). Recent State and Federal legislative actions, as well as industry mandates to promote quality and the privacy of patient information while controlling costs, have created fertile ground for effective technology solutions that unite systems and enable digital communication. The market for robust and practical healthcare solutions will grow rapidly, and that growth will continue to accelerate as the joined emphases of consumer choice, quality, administrative service and cost-containment ratchet up the demand for more efficient and user-friendly methods of delivering quality healthcare.

Moreover, Medix understands the essentially local nature of healthcare and will deploy Cymedix(R) software products only in regions where we can guarantee that each installed physician can use our technologies to serve most of his or her patients. This disciplined market approach, combined with the Cymedix(R) suite of physician-centric software products, provides a foundation for rapid adoption, ongoing utilization and stable, recurring revenue streams. Our regional strategy and focus on authentic physician adoption is what differentiates us from most eHealth companies, including those who have survived the rough justice of today's market, as well as the many who have perished.

Medix was incorporated in the State of Colorado in 1988. For the next decade, the Company operated as a temporary healthcare staffing company, with offices at various times in Colorado, New York, Texas and California. Medix disposed of the its remaining healthcare staffing operations in February 2000. In January 1998, the Company acquired Cymedix Corporation, a California corporation, which was merged into our wholly owned healthcare technology subsidiary, Cymedix Lynx Corporation.

As of March 15, 2002, we are in various stages of project development, testing and market implementation with six clients using components of the Cymedix(R) software suite to link healthcare participants by using the Internet. While none of these projects have generated any significant revenues to date, if funding can be obtained to continue and expand our operations, these projects should position us as one of the technology leaders in the emerging eHealth industry. All of these projects involve working with an existing healthcare insurer, reference laboratory or pharmacy benefit management company to integrate selected Cymedix(R) products into their networks to enable physicians to use those products for pharmacy management transactions, laboratory orders and results reporting or claims processing. See "Forward-Looking Statements and Associated Risks" under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION below.

Our principal executive office is located at 420 Lexington Avenue, Suite 1830, New York, NY 10170, and its telephone number is (212) 697-2509. Our principal administrative office is at 7100 East Belleview Ave., Greenwood Village, CO 80111, and its telephone number is (303) 741-2045.

Recent Developments

We executed an Amended and Restated Common Stock Purchase Warrant with WellPoint Pharmacy Management a wholly owned subsidiary of WellPoint Health Networks Inc., dated February 18, 2002, to restructure our obligations to issue warrants to WellPoint. Under that Warrant, we are obligated to issue up to 7,000,000 shares of our common stock at exercise prices of $0.30 per share for 3,000,000, $0.50 per share for 3,000,000 shares and $1.75 per share for 1,000,000 shares, if various performance related vesting requirements are satisfied by WellPoint. Currently, WellPoint has satisfied certain of these requirements giving WellPoint the right to purchase 1,850,000 shares of our common stock at $0.30 per share. The Warrant grants to WellPoint certain registration rights to require us to register with the SEC the shares issued to WellPoint for resale to the public. In the Warrant, WellPoint has agreed to restrict sales to the public of these shares during the first year after they have been issued to 200,000 shares per month and 100,000 shares in any five trading days. The Warrant contains anti-dilution provisions providing that the number of shares that may be purchased by WellPoint under the Warrant may be adjusted in certain circumstances. WellPoint's rights to purchase our shares under the Warrant expire on September 8, 2004.

We entered into a secured convertible loan agreement with WellPoint, dated February 19, 2002, pursuant to which we borrowed $1,000,000 from WellPoint Health Networks Inc. The loan becomes payable on February 19, 2003, if not converted into our common stock. The loan earns annual interest at a floating rate of 300 basis points over prime, as it is adjusted from time to time, which is also payable at maturity and may be converted into common stock. Conversion into common stock is at the option of either WellPoint or Medix at a contingent conversion price. The conversion price will be either (i) at the price at which additional shares are sold to other private placement investors if Medix obtains written commitments for at least an additional $4,000,000 of equity by the close of business on September 30, 2002, from persons not affiliates of WellPoint, and if such sales are closed by the maturity date of the loan, or (ii) at a price equal to 80% of the then-current Fair Market Value (as defined below) if Medix is unable to obtain a written commitment for the additional equity investment by the close of business on September 30, 2002 or close the sales by the maturity date. For this purpose, "Fair Market Value" shall be the average closing price of Medix common stock for the twenty trading days ending on the day prior to the day of the conversion. The loan is secured by the grant of a security interest in all Medix's intellectual property, including its patent, copyrights and trademarks. While Medix can cure a default in the repayment of the loan at the fixed maturity date by the forced conversion of the loan into its common stock, a cross default, breach of representation or warranty, and bankruptcy or similar event of default will trigger the foreclosure provision of the security agreement. The Company expects to require conversion at the earliest possible time, which may be before September 30, 2002 if the required funds are received at which point the pledge of collateral will be received.

In October 2001, Medix announced the introduction of Cymedix(R)III, the next generation of its proprietary, point-of-care products. Cymedix(R)III is based upon a robust and device-neutral architecture that leverages established workstation, handheld and wireless technologies and supports Medix' long-term commitment to support emerging exam room and point-of-care technologies. Cymedix(R)III products, including working applications for Cymedix(R)Pharmacy, Laboratory and PlanConnect services, will be made available to physicians in 2002. Until recently, the combination of expensive, front-end equipment costs coupled with time-consuming and often problematic data synchronization requirements effectively dampened the physician's appetite for any of the point-of-care technologies being offered. Our new Cymedix(R)III architecture is both fully scalable and device-neutral, allowing our Pharmacy, Lab and PlanConnect products to be delivered via workstation and wireless handheld devices with the technologies available today as well as those of the future. The addition of wireless capability within our Cymedix(R)III product release naturally complements the Medix suite of transaction products, and enables physicians and their office staff to execute the full range of clinical and support transactions from their office workstation, their home desktop or from the exam room itself, via a handheld device with real-time synchronization of secure patient data. We believe that the expanded capabilities of Cymedix(R)III offer a compelling value return for physicians and will accelerate their adoption of our technology.

Finally, during 2001, we ceased operations of our Automated Design Concepts division (ADC), a Web design business. We had acquired ADC in early 2000 from a former officer and director of the Company for cash and stock valued at $474,000. In connection with our general cost reduction program, we determined that the business of the subsidiary was not part of our core business operations and therefore did not justify our continued financial support. In connection with the termination of our subsidiary's operations we took a write-off of goodwill in the amount of $443,000. We also determined that our license of proprietary software from ZirMed.com had no value to us and had no more than a nominal market value. In 2001, we wrote-off the unamortized value of the related intangible asset, which was $668,000.

Our Industry

The U.S. Centers for Medicare and Medicaid Services (formerly the Health Care Finance Administration) estimates that $1.4 trillion dollars, or 14% of the U.S. Gross domestic product, is spent annually on healthcare. Healthcare expenditures are expected to grow to approximately $2.8 trillion by 2011, due to increasingly expensive and sophisticated clinical technology, an aging population base and the growing demands of newly-empowered and health conscious consumers.

Every year, the healthcare industry conducts its business by executing more than 30 billion transactions, more than 90% of which are untouched by integrated automation. Core transactions -- such as enrollment and eligibility verification, referrals and authorizations, lab orders and lab results reporting, billing and claims and prescription-writing with drug interaction checks -- are processed through a disjointed matrix of isolated systems, including paper, fax and phone. Of necessity, every provider, insurer or supplier has invested in its own proprietary and often antiquated information system. As a result, duplication is rampant, error probabilities are enormous and the waste of precious resources is glaringly obvious.

Health economists estimate that 20% or more of the nation's total healthcare expenditures is spent on backroom administration. Another 10% funds the fallout of adverse health events that are caused by inaccurate or unavailable patient information. The cumulative effect is that, more than 4% of our nation's annual economic output is being consumed by a service and transactions industry that pleases no one and angers many.

Today's inefficient and "silo" healthcare information systems are created by the extreme fragmentation and complexity of the industry. Briefly:

o Healthcare remains a quintessentially cottage industry. There are currently approximately 645,000 practicing physicians, 6,200 hospitals, 16,500 nursing homes, 8,000 home health care agencies, 4,500 independent laboratories and thousands of managed care organizations and other ancillary (usually local) health care providers.

- The various constituents of healthcare have sharply different levels of access to capital. Typically, insurers have had the finances to fund large-scale systems able to structure and share uniform information. Physicians do not. This imbalance has produced an industry rich in proprietary administrative systems but poor in patient-focused point-of-care information systems.

- Government regulation of the industry is splintered across 50 states, coupled with substantial federal intervention.

- Healthcare is an extremely complex business. Literally, errors can be life-threatening. Until recently, affordable technologies capable of replacing wasteful, but comparatively safe administrative practices were not available.

The Internet provides a platform for catalytic change within the healthcare industry. Grabbing hold of that opportunity requires the deployment of effective connectivity tools that enable disparate systems to effectively and affordably communicate with one another. The Internet's emerging,, ubiquitous accessibility and growing acceptance make it an increasingly critical tool for business-to-business and business-to-consumer interaction. Moreover, Internet use is undergoing a transformation from simple, static information publishing, messaging, and data gathering to real-time, interactive applications that are capable of supporting core business transactions and fundamental business processes.

In many industries, work is in progress to harness the power of the Internet and to fuse previously disconnected business processes that allow companies to reengineer workflows, reduce administrative and distribution costs and leverage core-competency, expert resources. Because of its size, complexity and dependence on accurate and timely information exchange, the healthcare industry is well suited to benefit from the connectivity and data integration solutions that we are developing. In addition, as more and more powerful technology tools become available at decreasing cost levels, (including workstations, handheld devices and wireless networks), we believe that physicians will acquire more advanced technology platforms to optimize patient care, automate processes and better leverage their clinical experience.

Administrative processes in healthcare consume approximately $300 billion per year. Insurers typically spend 10-12% of gross premiums in administration, not including sales acquisition costs. A typical physician practice spends between 25%-50% of gross billings on administration. Medix's mission is to offer a set of tools to physicians and to insurers that takes direct aim at the present tab of administrative cost and reduces the potential of clinical error. For the eHealth industry, we believe it to be a $20 billion opportunity.

Our Products and Technology

Cymedix(R)is a suite of software products and integration tools that seamlessly moves clinical and administrative information among health insurers, physicians, pharmacy benefit management companies and reference labs. Collectively, they create an indispensable, non-invasive technology platform that establishes secure connectivity among the many isolated systems of the healthcare industry. The Cymedix(R)platform enables physicians or their staff to use software that transparently performs the timesaving activity of gathering and transmitting vital patient information to healthcare entities. Since physicians can offload substantial administrative burdens to the Cymedix(R)software products, we believe they will see the opportunity to employ the Cymedix(R)product suite (PBM, payor, pharmacy, lab and hospital connections) to improve the quality of patient care and to grow their business.

We deliver our solutions via the Internet using secure socket layers and other encryption technologies that protect confidential patient information while reducing the physician's need to purchase and manage on-site hardware and software systems. The Cymedix(R)suite of products may be utilized on any device that supports an Internet browser, allowing our software to run on a wide range of equipment, from aging personal computers to leading edge exam room technologies (handheld devices, tablets, etc.). In addition, the advent of low cost, secure wireless networking solutions makes the last inch of the "last mile" of physician practice implementation vastly easier today than even a year ago.

Our Cymedix(R)Universal Interface (CUI) is central to the implementation of the Cymedix(R)suite of products. Physicians generally reject new technology solutions that require new investments in time or money over and above their primary investment in practice management systems. Therefore, we believe it is imperative to deliver solutions that effectively leverage their practice management investment at no additional cost. The CUI toolkit automatically extracts pre-selected data elements from existing systems and remaps the targeted information for use by the Cymedix(R)software suite. This technology permits the Cymedix(R)suite to efficiently and effectively integrate with virtually any practice management system, thereby eliminating the need to hard code unique, expensive and time-consuming interfaces. Typically, the practice management system is the only administrative information system in a physician's practice and is therefore the most trusted source for patient and billing data. The CUI enables the physician's staff to embrace the Cymedix(R)suite as a value-added adjunct of their legacy practice management system, all without having to bear duplicative processes such as the re-keying of critical patient data.

The Cymedix(R)software suite of products includes:

Cymedix(R)Pharmacy >>>>	o Pharmacy benefit manager identification (eligibility verification and an automatic link to formulary/benefits information.) o Electronic prescribing (retail and mail order). o Medication history. o Treatment and formulary compliance. o Drug to drug interaction, drug to allergy, duplicate therapy and other clinical checks. o Messaging and prompts. o Compliance analysis
Cymedix(R)Lab >>>>	o Complete lab order entry. o Medical necessity verification. o 24/7 results reporting (partial and full). o Specimen tracking. o Messaging and prompts. o Cumulative and custom reporting.
Cymedix(R)PlanConnect >>>>	o Eligibility verification. o Referrals and authorizations. o Custom messaging and prompts. o Electronic claim validation, submission and tracking.

The introduction of our proprietary, point-of-care products is proceeding with our six active customers. Our suite of software products is based upon a robust and device-neutral architecture that leverages proven workstation, handheld and wireless technologies. Our Cymedix(R)technology architecture includes a flexible integration framework that facilitates rapid and reliable connectivity efforts. All product components, including Cymedix(R) Pharmacy, Cymedix(R) Laboratory and Cymedix(R)PlanConnect services are in final testing as we prepare for production-level physician installations in second quarter 2002.

On the sponsor host side, we are in late-stage development and testing for customized integrations with each of our active contracts. When we sign a connectivity agreement with a transaction sponsor (PBM, payor, lab, hospital, etc.), we move into a disciplined integration phase in which we establish the interface connection to the sponsor, enable transactions, tailor the front-end to the sponsor's requirements, and incorporate any sponsor-specific rules within our applications. Generally, this integration phase should take between 90-120 days, depending upon the pace, regimen and internal resource allocation set by our customers. However, as we have learned with earlier pilots, these time frames are variable and may be extended indefinitely for reasons beyond our control. After the integration phase is completed, we move to the deployment and production phase when transaction fee revenues will be generated.

We have targeted our initial, production-level physician installations to begin in second quarter 2002 and we currently expect transaction fee revenues to commence before the end of the second quarter 2002. While we had expected to begin receiving such revenues in the first quarter of 2002, the scope and timing of several sponsor host integrations required that we push the physician launch date to the next quarter. As a result, we have yet to receive any transaction fee revenue.

The marketing and development of our Cymedix(R)suite of software products is our sole business at this time, and a substantial portion of our net operating loss is due to such efforts. We are funding such expenses as well as our administrative expenses through the sale of our securities.

Our Sponsor Customer Relationships

As an eHealth connectivity company, Medix must build relationships with two sets of customers: physician end-users and sponsor host institutions, including health plans, pharmacy benefit managers, reference laboratories and other, ancillary types of managed care networks. These sponsor organizations, typically large enterprises, pay our per-click transaction fees as described in the section titled "Our Strategy and Business Model" below. Our relationships with WellPoint Pharmacy Management, Merck-Medco and Express Scripts, Inc. all recorded key sponsor customer events in 2001

WellPoint Pharmacy Management

In 2001, Medix announced that we had completed our pilot program with WellPoint Pharmacy Management (WPM) and a joint deployment of Web-based transactions services to WPM health plan customers and their participating physicians will begin during 2002. WPM has long committed to providing value to customers, patients and physician partners through the elimination of administrative waste, clinical error, fraud and abuse. They enjoy a well-earned reputation for extraordinary growth and clinical programs of excellence. Together, Medix and WPM have forged deep, long-term ties bound by a common objective to provide physicians with the tools and means to elevate the clinical experience through shared information and decision support. Our robust pilot program with WPM, combined with the gathering momentum in the emerging eHealth industry, has allowed Medix to strengthen our sales pipeline over a compressed timeframe. In addition, our multi dimensional relationship involves the following:

Product Distribution - Through the execution of an amendment to the Warrant Agreement, WellPoint Pharmacy Management has formally agreed to recommend Medix Resources, Inc. to their customers and key vendors. WPM enjoys a diversified customer base that includes health plans, employers and regional PBMs. Initially, Medix and WPM are focusing joint sales activities on WPM's large Blue Cross Blue Shield plan customers. Executing customer agreements with WPM's large customers will provide Medix with significant patient density in several key markets. Under a formal agreement with specific targets and incentives, WPM will earn warrants in Medix shares when WPM-sponsored customers agree to implement the Cymedix(R) technology set.

Product Development - Medix and WPM are executing a shared, formal agenda to continually research, test and implement new product enhancements. These collaborative product development efforts offer a substantive benefit to Medix, as WPM possesses a powerful repository of pharmacy industry knowledge and distinguished clinical expertise.

Our longstanding and close working relationship with WPM is a significant asset, especially as they are a first-rate reference with which we can expand our reach to healthcare's other large constituencies.

Merck-Medco and Express Scripts, Inc.

In October 2001, we announced agreements with two of the nation's leading pharmacy benefit managers, Merck-Medco and Express Scripts, Inc. These business relationships allow us to provide physicians with point-of-care access to clinical information and electronic prescribing. Client integration work is well underway and we will shortly begin joint deployment of these services to Merck-Medco and Express Scripts health plan customers and physicians. Different than the start-up of our WPM relationship, neither Merck-Medco nor Express Scripts requires a phased product pilot program.

Our agreements with Merck-Medco and Express Scripts are important milestones for Medix. Merck-Medco is the nation's second largest pharmacy benefits manager, with a client roster that includes major insurers and corporations throughout the nation and more importantly within our target markets. Likewise, Express Scripts, Inc. is an ideal match because of their demonstrated market leadership. Both Merck-Medco and Express Scripts are leading sponsors of technology initiatives that place decision-making tools in the hands of physicians at the point of care. Together, our joint efforts will provide physicians and their staffs with easy-to-use connectivity solutions that support all aspects of the prescription process.

Our Strategy and Business Model

General. Our market strategy is organized around several well-defined components. First, we believe that there is significant value attached to offering products that complement today's commonly available technologies. This is a critical aspect of the added value that we bring to our sponsor customers and physicians. For Medix, it means delivering connectivity and software solutions that take into consideration our users' current technology and workflows. For example, many physician practices have not yet invested in a high-speed (DSL/cable) Internet connection. Therefore we have designed our products to excel at every level of connectivity, from the less sophisticated dial-up capability to high speed, persistent connections.

Second, our business model is a per-click transaction fee model paid for by large institutional sponsors with an interest in enabling their connectivity and information sharing with physician offices. Physicians' offices operate on a private network created by Medix and financed by per click transaction fees from sponsoring institutions. We expect that this approach will offer favorable returns to sponsoring institutions through aggregate administrative and underwriting cost savings while enabling physicians' offices to reduce paperwork and costs within their practice environment with no front-end investment. In the longer term, as the value proposition becomes more obvious to physicians, they may elect to pay for an expanded suite of services.

Third, we believe that the functionality provided by the Cymedix(R)product suite, together with the CUI, gives us a distinct competitive advantage. By enabling physician practices to continue to use their existing information systems while accessing our non-invasive technology, we recognize and honor the physician's investment in their choice of practice management technology. Our approach recognizes that, as in medicine, our first duty is to do no harm. Thus, while the Cymedix(R)product suite offers attractive timesaving clinical and administrative capabilities, our products do not put at risk any of the assumed "safe" features of today's processes.

Fourth, we act as support partners to our customers and users. Our intent is to leave the business of medicine to physicians and the business of managed care to managed care companies. We bring value by constructing safe and secure, high-speed data highways that enable connectivity and provide hassle-free productivity tools for all users.

Finally, we believe that our approach and the products that we make take direct aim at the wasteful administration costs that plague all of healthcare's stakeholders. Our internal standards mandate that we make a substantive difference in this area, and we ask our users and customers to judge us accordingly.

Taken together, these strategy components position Medix to earn substantial, recurring revenue streams at attractive margins. Moreover, once critical density is reached, continued growth in our core product line can be supported without substantial reinvestment in added support or fulfillment infrastructure, further leveraging our market investment returns for the future.

Our plan to secure long-term recurring revenue streams via the creation of contractual relationships with large sponsors is well underway. As physicians grow to appreciate the benefit of our institutionally sponsored product offerings and to recognize the value of clinical and administrative data captured during ongoing use of our product suite, we believe we can establish a market for physician-centric enhancements and add-ons to our products. Medix plans to offer physicians additional timesaving features that further improve patient care and practice profitability. Among these features will be connectivity gateways to non-sponsored transactions, charge capture, patient relationship management services and document management. We expect that physicians will pay for these additional services under a subscription model. Broadly cast, our business model follows the following regimen:

|X| Medix establishes a connection between sponsor organizations and physicians.

|X| Using the CUI and our product suite, physicians and practice administrators drive transactions via their practice management systems, handheld or wireless devices, or through a direct Internet connection to Medix servers.

|X| Sponsor organizations pay for transactions.

|X| Physicians will pay for subscription services to gain access to future product enhancements that leverage their administrative efficiencies and clinical effectiveness.

Our Regional Strategy. Healthcare services are insured, delivered and remunerated differently from one region to another. Medix understands the essential, local nature of healthcare and will deploy Cymedix(R)software products only in regions where we can assure that each installed physician can use our technologies to serve most of his or her patients. This disciplined market approach, combined with the Cymedix(R)suite of physician-oriented software products, provides a foundation for rapid adoption, and sustained physician utilization. Moreover, we believe that contracting with large communities of physicians and sponsor organizations within highly defined geographies creates a highly desirable financial and operating scenario for Medix as well as lasting brand presence that sharply differentiates us from our competition.

Given adequate long term financing, we intend to initially focus our resources on deploying the Cymedix(R)software suite in five markets. They are Atlanta, Northern California, Southern California, the New York Metropolitan Area, and Chicago. As of March 2002, our Atlanta market development efforts are underway with a planned Q2, 2002 product launch.

See "Forward-Looking Statements and Associated Risks" under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" below.

Our Marketing and Sales Approach

The Company intends to pursue a focused but multi-dimensional marketing and sales strategy over the next several years. Specifically:

- We will concentrate our energies on selected, geographical target markets that provide ample transaction potential and offer us the opportunity to penetrate a significant share of physician desktops.

- We will seek to partner first with a leading, anchor client or consortium of anchor clients in each of the selected markets.

- Following platform development with the anchor client(s), we will concentrate our sales focus on enlisting the second tier of potential customers, including corollary agreements with regional-specific suppliers such as pharmacy benefit managers, labs and large, organized provider groups. Our goal is to achieve major market density.

- Concurrent with the market breadth effort described above, the Company will aggressively seek added market depth by up-selling and cross-selling the full portfolio of product services to existing customers and their affiliates.

- As our brand and presence gains local strength, we will seek to market relevant enhancements and add-ons to our products directly to physicians, using a monthly subscription model.

Sales Process

Most of our customers are large health plans, PBM's and lab companies that are national in scope, but are operated on a local or regional basis. Therefore, it is imperative to organize sales efforts at both the national and local levels to close sales, gain market share and retain existing customers. Consistent with our regional approach to market sales and implementations, the Medix sales process draws resources and experience from both corporate and regional teams.

National Sales Process Team	Regional Sales Process Teams

|X| CEO	|X| Regional Market CEO
|X| EVP & CTO	|X| Local Implementation Team
|X| EVP Operations	|X| Local Consultants (as needed)
|X| Selected Technology Team Members	|X| Selected Technology Team Members

Medix views the sales process to gain customer relationships as a two-step process. This process can happen sequentially or be pursued along parallel tracks. The national sales process team is responsible for negotiating and executing contracts as well as charged with the responsibility to expand customer relationships in terms of product base or market expansion. The regional sales process team is responsible for local account sales and account management and the local administration of the sale's execution for our national customers.

At present, our executive staff devotes a substantive portion of their time to sales, marketing and account management activities. Longer term, with appropriate financing in place, we expect to recruit and hire a new head of Corporate Business Development, as well as to staff our regional organizations with resident sales professionals to complement current resources.

Outside consultants have been engaged to assist with sales leads development and target-customer introductions. Outside contractors also have been retained to develop marketing and sales literature for the Cymedix software. Materials to promote the various Cymedix applications are being developed for direct mailing to physicians affiliated with our customers.

Competition

eHealth Services. The market for eHealth services is evolving, highly fragmented and subject to fast-moving technological change. Although our competitive position is difficult to characterize, due principally to the youth of our market niche and the diversity of current and future competitors, we believe the primary competitive elements in the eHealth connectivity business are: (i) the scope, quality and performance of the technologies offered; (ii) rates of physician adoption and sustained utilization; and (iii) the integrity and market-worthiness of pricing and data models.

We believe our principal competitive advantages are: (i) our robust technology architecture; (ii) our CUI toolkit; (iii) our clinical product base; (iiii) our regional and physician-centric focus; and (iiiii) our customer relationships. There are other connectivity companies, in the United States, both publicly held and private, that compete directly or indirectly with Medix Resources, Inc. Moreover, competition can be expected to emerge from established healthcare information vendors and established or new Internet related vendors. The most likely competitors are companies with a focus on clinical information systems and enterprises with an Internet commerce or electronic network focus. Currently, we view our main competitors as WebMD, ProxyMed, NaviMedix and AllScripts. These competitors may have greater financial marketing or technology resources than us. We will seek to raise capital to develop and implement Cymedix products in a timely manner, however, so long as our operations remain under funded, as they are now, we will be at a competitive disadvantage.

Software Development Personnel. The success of the development of our Cymedix software is dependent to a significant degree on our key management and technical personnel. We believe that our success will also depend upon our ability to attract, motivate and retain highly skilled, managerial, sales and marketing, and technical personnel, including software programmers and systems architects skilled in the computer languages in which our Cymedix products operate. Competition for such personnel in the software and information services industries is intense. The loss of key personnel, or the inability to hire or retain qualified personnel, could have a material adverse effect on our results of operations, financial condition or business.

Patents, Trademarks and Copyrights

US Patent No 5,995,939 was issued on November 30, 1999 to our wholly-owned subsidiary, Cymedix Lynx Corporation from the U.S. Patent and Trademark Office ("USPTO"). The patent covers our automated service request and fulfillment system and will expire October 14, 2017. A divisional U.S. patent application, including five claims directed to the method by which the system operates through the Cymedix Universal Interface, has been abandoned

The USPTO issued to Cymedix U.S. Trademark Registration No. 2,269,377 for the mark CYMEDIX in connection with "computer software for data base and electronic record management in the healthcare field" on August 10, 1999, U.S. Trademark Registration No. 2,316,240 for the mark LYNX in connection with "computer software to provide secure communication on a global communication information network" on February 8, 2000, and U.S. Trademark Registration No. 2,409,248 for the mark CYMEDIX.COM in connection with "computer software for database and electronic record management in the healthcare field" on November 28, 2000.

Cymedix has obtained seven copyright registrations for two versions of each of three modular software components of the Cymedix suite of products, as well as a technical evaluation document that describes the software products.

No assurance can be given that any of our software products will receive additional patent or other intellectual property protection. Cymedix has assigned the above patent and copyrights registrations to Medix.

We seek to protect our software, documentation and other written materials primarily through a combination of trade secret, trademark and copyright laws, confidentiality procedures and contractual provisions. In addition, we seek to avoid disclosure of our trade secrets, by, among other things, requiring those persons with access to our proprietary information to execute confidentiality agreements with us and restricting access to our source code.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. While we are unable to determine the extent to which piracy of our products exists, software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

From time to time, we are involved in intellectual property disputes. We may notify others that we believe their products infringe upon our intellectual property rights, and we may be notified by others that they believe that our products infringe on their intellectual property rights. We expect that providers of eHealth solutions will increasingly be subject to infringement claims as the number of products and competitors in our industry grows and traditional suppliers of health care data and transaction solutions begin to offer Internet-based products. If our proprietary technology is subjected to infringement claims, we may have to expend substantial amounts to defend ourselves, and, if we lose, pay damages or seek a license from third parties, which could delay sales of our products. If our proprietary technology is infringed upon, we may have to expend substantial amounts to prosecute the infringing parties, and we may experience losses if we cannot support our claim of infringement.

We have been notified by a party that it believes our pharmacy product may infringe on patents that it holds. We have retained patent counsel who has made a preliminary investigation and determined that our product does not infringe on the identified patents. At this time no legal action has been instituted.

Government Regulation

Federal and state laws and regulations regulate many aspects of our business. Since sanctions may be imposed for violations of these laws, compliance is a significant operational requirement. We believe we are in substantial compliance with all existing legal requirements material to the operation of our businesses. There are, however, significant uncertainties involving the application of many of these legal requirements to our business. We are unable to predict what additional federal or state legislation or regulatory initiatives may be enacted in the future relating to our business or the health care industry in general, or what effect any such legislation or regulations might have on us. We cannot provide any assurance that federal or state governments will not impose additional restrictions or adopt interpretations of existing laws that could have a material adverse affect on our results or operations, financial position and/or cash flow from operations.

HIPAA and Standardized Transactions. Our sponsor customers and physician users must comply with the Administration Simplification provision of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which includes regulations for privacy, transactions, code sets, security and standard identifiers. Final regulations and implementation deadlines exist for transactions, code sets and privacy while only proposed regulations exist for security and standard identifiers. Accordingly, our products must contain features and functionality that allow our customers and users to comply with existing law.

As the effective date of the HIPAA regulations approach, they will have a major impact on us as well as every other participant in the healthcare industry. Significant resources will be required to implement these regulations. Major retooling of medical information technology will be required to install the required standardized codes and procedures. Transaction standards, code sets, and identifiers will need to be installed on medical participants' networks and office computers. Security and privacy regulations will be the most difficult to implement and maintain because they are broad in scope, less definitive, and require ongoing vigilance to assure compliance. Estimate costs of implementation vary widely but will be in the billion of dollars. Failure to comply could put us or any other healthcare participant out of business.

We believe that our Cymedix(R)software product offerings are designed to allow for full compliance with known HIPAA regulations. However, until all such regulations are issued and final, they could be modified, which may require us to expend additional resources to comply with the revised standards. In addition, given their novelty, breadth in scope, and uncertainty as to interpretation, implementation will be uncertain and the possibility of inadvertently failing to meet these standards is high. Such failure could result in fines and penalties being assessed against us or cause our business to suffer in other ways.

Government Regulation of the Internet. Laws and regulations may be adopted with respect to the Internet or other on-line services covering issues such as user privacy, pricing, content, copyrights, distribution and characteristics and quality of products and services. The adoption of any additional laws or regulations may impede the growth of the Internet or other on-line services, which could, in turn, decrease the demand for our software applications and services, increase our cost of doing business, or otherwise have an adverse effect on our business, financial condition and results of operations. Moreover, the applicability to the Internet of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. Any such new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could have a material adverse effect on our business, financial condition and results of operations.

Confidentiality and Security. While HIPAA regulations, as discussed above, are expected to generally govern in this area, regulation by various state agencies may also still apply to confidentiality of patient records and the circumstances under which such records may be released for inclusion in our databases. Such regulations govern both the disclosure and the use of confidential patient medical records. Such regulation could require holders of such information, including us, to implement costly security measures, or may materially restrict the ability of health care providers to submit information from patient records using our applications. We utilize an architecture that incorporates encrypted messaging, firewalls and other security methods to assure customers of a compliant and secure computing environment. However, no security procedure is failsafe, and we will always be subject to a potential breach of security by wither determined human effort or inadvertent human error. If we were found liable for any such breach, such finding could have a material adverse affect on our business, financial condition and results of operations.

False Claims Act. Under the federal False Claims Act, liability may be imposed on any individual or entity who knowingly submits or participates in submitting claims for payment to the federal government which are false or fraudulent, or which contain false or misleading information. Liability may also be imposed on any individual or entity who knowingly make or use a false record or statement to avoid an obligation to pay the federal government. Certain state laws impose similar liability. The federal government or private whistleblowers may bring claims under the federal False Claims Act. If we are found liable for a violation of the federal False Claims Act, or any similar state law, due to our processing of claims for Medicaid and Medicare, it may result in substantial civil and criminal penalties. In addition, we could be prohibited from processing Medicaid or Medicare claims for payment.

Government Investigations. There is significant scrutiny by law enforcement authorities, the U.S. Department of Health and Human Services Office of Inspector General, the courts and Congress of agreements between healthcare providers and suppliers or other contractors that have a potential to increase utilization of government health care resources. In particular, scrutiny has been placed on the coding of claims for payment, incentive programs that increase use of a product and contracted billing arrangements. Investigators have demonstrated a willingness to look beyond the formalities of business arrangements to determine the underlying purposes of payments between health care participants. Although, to our knowledge, neither we nor any of our customers is the subject of any investigation, we cannot tell whether we or our customers will be the target of governmental investigations in the future.

Federal and State Anti-Kickback Laws. Provisions of the Social Security Act, which are commonly known as the Federal Anti-Kickback Law, prohibit knowingly or willfully, directly or indirectly, paying or offering to pay, or soliciting or receiving, any remuneration in exchange for the referral of patients to a person participating in, or for the order, purchase or recommendation of items or services that are subject to reimbursement by, Medicare, Medicaid and similar other federal or state healthcare programs. Violations may result in civil and criminal sanctions and penalties. If any of our health care communications or electronic commerce activities were deemed to be inconsistent with the Federal Anti-Kickback Law or with state anti-kickback or illegal remuneration laws, we could face civil and criminal penalties or be barred from such activities. Further, we could be required to restructure our existing or planned sponsorship compensation arrangements and electronic commerce activities in a manner that could harm our business.

If compliance with government regulation of healthcare becomes costly and difficult for us and our customers, we may not be able to grow our business as we plan, or we may have to abandon a product or service we are providing or plan to provide altogether.

Employees

As of March 15, 2002, we had 28 full-time and no part-time employees. Fifteen of these employees are involved in software programming and support of the Cymedix network, 7 are involved in the marketing and deployment of product, and 6 are involved in our administrative and financial operations. None of our employees is represented by a labor union, and we have never experienced a work stoppage. We believe our relationship with our employees to be good. However, our ability to achieve our financial and operational objectives depends in large part upon our continuing ability to attract, integrate, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel. See "Executive Officers Compensation - Employment Agreements." Competition for such qualified personnel in our industry and the geographical locations of our offices is intense, particularly in software development and technical personnel.

ITEM 2. PROPERTIES

Our principal executive office is located at 420 Lexington Avenue, Suite 1830, New York, NY 10170. In addition, we have three other offices located in Colorado, California and Georgia.

	Square Footage	Expiration Date	2002 Rent (est.)
New York, New York	10,495	1-31-05	$212,526
Greenwood Village Colorado(1)	5,236	7-31-03	$ 98,000
Agoura Hills, California	3.474	3-31-07	$ 69,305
Marietta, Georgia	2,060	2-28-04	$ 31,930
Totals:	21,265		$411,761

(1) In connection with the sale of our remaining staffing business in 2000, we subleased 2,735 square feet of this space to the purchaser, who will pay $50,000 in rent annually for such space until July 31, 2002. We remain jointly liable for rental payments on such subleased space until the end of the sublease and liable for all the space until the end of the lease indicated above.

In addition to the properties listed in the above table, the Company also is liable for rental payments on an old lease in East Brunswick, New Jersey, encompassing 7888 square feet of vacant office space. The monthly rent is approximately $12,500, with a lease termination date of April 30, 2003. Management is currently engaged in negotiations with the landlord to terminate this agreement.

We believe these facilities will be suitable for our needs for the foreseeable future. We have insured all of our properties at the levels required to meet our lease obligations. We believe that these levels are reasonable measures of adequate levels of insurance.

ITEM 3. LEGAL PROCEEDINGS

On August 7, 2001, a former officer of the Company filed an action in the District Court of Arapahoe County, Colorado, against the Company and its former President and CEO, John Yeros, entitled Barry J. McDonald v. Medix Resources, Inc f/k/a/ International Nursing Services, Inc. and John Yeros, (Case No. 01CV2119). The plaintiff alleges (1) breach of an employment agreement, a stock option agreement and the related stock option plan, (2) breach of the duty of good faith and fair dealing, and (3) violation of the Colorado Wage Claim Act. Plaintiff seeks unspecified damages to be determined at jury trial, including interest, punitive damages, plaintiff's attorneys fees, and a 50% penalty under the Colorado Wage Claim Act. The Company's and its co-defendant have answered the plaintiff's complaint, denying any liability. The Court has set discovery to be completed by July 31, 2002, and the trial to begin on September 9, 2002. Management of the Company intends to vigorously defend this action and does not expect any resolution of this matter to have a material adverse effect on the Company's results of operations or financial condition.

On December 17, 2001, Plaintiff, Vision Management Consulting, L.L.C., filed suit against us in the Superior Court of New Jersey, Law Division - Essex County, entitled Vision Management Consulting, L.L.C v. Medix Resources, Inc., Docket No. ESX-L-11438-01. The complaint alleges breach of contract, unjust enrichment, breach of the duty of good faith and fair dealing and misrepresentations by us in connection with a negotiated settlement agreement, which had resulted from claims between the parties arising out of the termination of operations by our Automated Design Concepts division earlier in 2001. Plaintiff seeks unspecified damages to be proven at jury trial, together with attorneys fees, costs of suit and interest on the judgment, as well as such further relief as the Court deems just and equitable. We have answered the plaintiff's complaint, denying any liability and setting forth a counterclaim seeking the award to us of our costs of defending this action and such further relief as the Court deems just and proper. Management intends to vigorously defend this action and does not expect any resolution of this matter to have a material adverse effect on the Company's results of operations or financial condition. The Court has appointed a mediator for the case to try to facilitate a settlement between the parties.

From time to time, the Company is involved in claims and litigation that arise out of the normal course of business. Currently, other than as discussed above, there are no pending matters that in Management's judgment might be considered potentially material to us. Management does not believe that any of the litigation described above will have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

The following matters were submitted to our shareholders at the 2001 Annual Meeting of Shareholders held on October 16, 2001:

Proposal #1 Election of Directors

	For	Withheld
Joan E. Herman	45,231,857	181,986
Patrick W. Jeffries	45,231,857	181,986
John R. Prufeta	45,231,857	181,986
Guy L. Scalzi	45,232,126	181,717

Proposal #2 Ratification and approval of the Board of Director's increase in the number of shares authorized and reserved for issuance under the

Company's 1999 Stock Option Plan from 10 million shares of the Company's common stock to 13 million shares.

For	Against	Abstained	Not Voted
11,371,866	1,944,632	251,501	31,845,844

Proposal #3 Ratification of the selection by the Board of Directors of Ehrhardt Keefe Steiner & Hottman PC as the Company's independent public accountants, to audit the financial statements of the Company for the 2001 fiscal year.

For	Against	Abstained
45,117,923	171,218	124,702

PART II

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

On April 6, 2000, our common stock was listed and began trading on The American Stock Exchange under the symbol "MXR." Prior to that our common stock was traded on the OTC Bulletin Board under the symbol "MDIX." The following table shows high ask and low bid price information for each quarter in the last two calendar years as reported by Prophet Information Services, Inc., a provider of online historical stock price data for all major U. S. securities markets. Such quotations reflect inter-dealer prices, without retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions. On March 15, 2001, the last sales price was reported to be $0.55.

	Common Stock Price	
	High	Low
2000		
First Quarter	$9.50	$1.88
Second Quarter	4.87	1.68
Third Quarter	3.62	1.06
Fourth Quarter	2.37	.75
2001		
First Quarter	$1.62	.52
Second Quarter	1.49	.41
Third Quarter	1.36	.50
Fourth Quarter	1.09	.49

There were approximately 400 holders of record (and approximately 9,000 beneficial owners) of our common stock as of March 15, 2002. The number of record holders includes shareholders who may hold stock for the benefit of others.

We do not expect to pay any dividends on its common stock in the foreseeable future. Management currently intends to retain all available funds for the development of its business and for use as working capital. The payment of dividends on the common stock is subject to our prior payment of all accrued and unpaid dividends on any preferred stock outstanding.

ITEM 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data, at the end of the last five fiscal years, should be read in conjunction with our Consolidated Financial Statements and related Notes thereto appearing elsewhere in this Report. The consolidated selected financial data are derived from our consolidated financial statements which have been audited by Ehrhardt Keefe Steiner & Hottman PC, our independent auditors, as indicated in their report included herein. The selected financial data provided below is not necessarily indicative of our future results of operations or financial performance.

	2001	2000(1)	1999	1998(2)	1997
Operating revenues	29,000	326,000	24,000	17,412,000	24,875,000
Software research and development costs (3)	1,075,000	685,000	596,000	780,000	0
(Loss) or profit from continuing operations	(10,636,000)	(6,344,000)	(5,422,000)	(515,000)	610,000
(Loss) or profit from continuing operations per share	(.21)	(.15)	(.29)	(.15)	.06
Total assets	3,101,000	5,089,000	4,629,000	5,175,000	10,140,000
Working Capital	(1,404,000)	394,000	644,000	(2,612,000)	(329,000)
Long-term obligations	0	0	400,000	0	0
Stockholders' Equity (Deficit)	1,345,000	4,202,000	2,376,000	(218,000)	4,504,000

The following is supplementary information related to software development expenses

	2001	2000(1)	1999	1998(2)	1997
Software Development Costs:					
Software research and development costs (3)	1,075,000	685,000	596,000	780,000	0
Capitalized software development costs	434,000	495,000	0	0	0
Total Software development costs incurred	1,512,000	1,180,000	596,000	780,000	0

(1) In February of 2000, we disposed of our remaining medical staffing business and became solely a developer of software for our own use in providing Internet based communications for the medical services industry.

(2) In January of 1998, we acquired the Cymedix software business and began the process of disposing of our medical staffing business.

(3) Excludes amortization of previously capitalized development software costs which are included in cost of services in the Company's Statement of Operations

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

Overview

We are an information technology company headquartered in New York City, with offices in Agoura Hills, California, Greenwood Village, Colorado and Marietta, Georgia. We specialize in the development, marketing and management of software and connectivity solutions for clinical and business transactions within the healthcare industry Through our wholly owned subsidiary, Cymedix Lynx Corporation, a Colorado corporation, we have developed Cymedix(R), a unique healthcare communication technology product. Created by a team of healthcare professionals, Cymedix software provides healthcare institutions, such as health plans, insurers and hospitals, as well as practicing physicians, with a set of non-invasive technology tools to enable Internet-based health care transactions among all parties.

Implementation of the Cymedix software suite promises to speed and improve the efficacy of daily interactions between health caregivers and their staffs, other ancillary providers (such as labs or pharmacy benefit managers), insurance companies, hospitals, Integrated Delivery Networks (IDNs) and Health Management Organizations (HMOs). We believe that the market for robust and practical healthcare solutions will grow rapidly, and that segment growth will continue to accelerate as the joined emphases of consumer choice, quality, administrative service and cost containment ratchets up demand for ever more efficient and user-friendly methods of delivering quality healthcare.

Forward-Looking Statements and Associated Risks

This Report contains forward-looking statements, which mean that such statements relate to events or transactions that have not yet occurred, our expectations or estimates for our future operations and economic performance, our growth strategies or business plans or other events that have not yet occurred. Such statements can be identified by the use of forward-looking terminology such as "might," "may," "will," "could," "expect," "anticipate," "estimate," "likely," "believe," or "continue" or the negative thereof or other variations thereon or comparable terminology. The following paragraphs contain discussions of important factors that should be considered by prospective investors for their potential impact on forward-looking statements included in this Report. These important factors, among others, may cause actual results to differ materially and adversely from the results expressed or implied by the forward-looking statements.

We have reported net losses of ($10,636,000), ($5,415,000), and ($4,847,000) for the years ended December 31, 2001, December 31, 2000 and December 31, 1999, respectively. At December 31, 2001, we had an accumulated deficit of ($33,412,000), and negative working capital of ($1,404,000). These factors and other concerns have caused our accountants to include a "going concern" exception in their report in connection with their audit of our financial statements for the year ended December 31, 2001.

We expect to continue to experience losses, in the near term, until such time as our Cymedix(R)software products can be successfully deployed with customers and produce revenue. The current operation of our business and our ability to continue to develop and market our Cymedix software products will depend upon our ability to obtain additional financing. At present, we are not receiving any significant revenues from the sale of our Cymedix software products. We are attempting to meet our current cash flow needs by raising capital in the private debt and equity markets and through the exercise of currently outstanding warrants. The development and marketing of the Cymedix software products require substantial capital investments. There can be no assurance that additional investments or financings will be available to us as needed to support the development of Cymedix products. Failure to obtain such capital on a timely basis could result in lost business opportunities, the sale of the Cymedix business at a distressed price or the financial failure of our company.

We have recently entered into a secured financing arrangement. See "BUSINESS - Recent Developments." The use of secured borrowings increases the risk of loss of the assets used to secure the borrowing. If an event of default occurs under the security agreement, the lender will be able to foreclose on the assets used to secure the borrowing and sell those assets to the highest bidder. In addition, it is generally believed that foreclosure sales, which are "distress sales", will not maximize the proceeds that are paid for the assets being sold. The loan we entered into is secured by the grant of a security interest in all Medix's intellectual property, including its patent, copyrights and trademarks. While Medix can cure a payment default by the forced conversion of the loan into its common stock, a bankruptcy or similar event of default will trigger the foreclosure provision of the security agreement.

We are still in the process of gaining experience in marketing software products, providing software support services, evaluating demand for products, financing a software business and dealing with government regulation of software products. While we are putting together a team of experienced executives, they have come from different backgrounds and may require some time to develop an efficient operating structure and corporate culture for our company. We believe our structure of multiple offices serves our customers well, but it does present an additional challenge in building our corporate culture and operating structure.

Our products are in the integration and deployment stages, and have proven their effectiveness with some sponsors. We have not yet proven our technology with a significant number of physicians. As a developer of software products, we will be required to anticipate and adapt to evolving industry standards and new technological developments. The market for our software products is characterized by continued and rapid technological advances in both hardware and software development, requiring ongoing expenditures for research and development, and timely introduction of new products and enhancements to existing products. The establishment of standards is largely a function of user acceptance. Therefore, such standards are subject to change. Our future success, if any, will depend in part upon our ability to enhance existing products, to respond effectively to technology changes, and to introduce new products and technologies to meet the evolving needs of its clients in the healthcare information systems market.

The success of our products and services in generating revenue may be subject to the quality and completeness of the data that is generated and stored by the physician or other healthcare professional and entered into our interconnectivity systems, including the failure to input appropriate or accurate information. Failure or unwillingness by the healthcare professional to accommodate the required information quality may result in the payor refusing to pay Medix for its services.

The introduction of software products in that market has been slow due to the large number of small practitioners who are resistant to change, as well as the financial investment or workflow interruptions associated with change, particularly in a period of rising pressure to reduce costs in the market. We are currently devoting significant resources toward the development of products. There can be no assurance that we will successfully complete the development of these products in a timely fashion or that our current or future products will satisfy the needs of the healthcare information systems market. Further, there can be no assurance that products or technologies developed by others will not adversely affect our competitive position or render our products or technologies noncompetitive or obsolete.

Certain of our products provide applications that relate to patient medication histories and treatment plans. Any failure by our products to provide accurate, secure and timely information could result in product liability claims against us by our clients or their affiliates or patients. We maintain insurance that we believe currently is adequate to protect against claims associated with the use of our products, but there can be no assurance that our insurance coverage would adequately cover any claim asserted against us. The limits of that coverage is $2,000,000 in the aggregate and $1,000,000 per occurrence. A successful claim brought against us in excess of our insurance coverage could have a material adverse effect on our results of operations, financial condition or business. Even unsuccessful claims could result in the expenditure of funds in litigation, as well as diversion of management time and resources.

We have been granted certain patent rights, trademarks and copyrights relating to its software business. However, patent and intellectual property legal issues for software programs, such as the Cymedix products, are complex and currently evolving. Since patent applications are secret until patents are issued, in the United States, or published, in other countries, we cannot be sure that we are first to file any patent application. In addition, there can be no assurance that competitors, many of which have far greater resources than we do, will not apply for and obtain patents that will interfere with our ability to develop or market product ideas that we have originated. Further, the laws of certain foreign countries do not provide the protection to intellectual property that is provided in the United States, and may limit our ability to market our products overseas. We cannot give any assurance that the scope of the rights we have are broad enough to fully protect our Cymedix software from infringement.

Litigation or regulatory proceedings may be necessary to protect our intellectual property rights, such as the scope of our patent. In fact, the computer software industry in general is characterized by substantial litigation. Such litigation and regulatory proceedings are very expensive and could be a significant drain on our resources and divert resources from product development. There is no assurance that we will have the financial resources to defend our patent rights or other intellectual property from infringement or claims of invalidity. We have been notified by a party that it believes our pharmacy product may infringe on patents that it holds. We have retained patent counsel who has made a preliminary investigation and determined that our product does not infringe on the identified patents. At this time no legal action has been instituted.

We also rely upon unpatented proprietary technology and no assurance can be given that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to or disclose our proprietary technology or that we can meaningfully protect our rights in such unpatented proprietary technology. We will use our best efforts to protect such information and techniques, however, no assurance can be given that such efforts will be successful. The failure to protect our intellectual property could cause us to lose substantial revenues and to fail to reach our financial potential over the long term.

The healthcare and medical services industry in the United States is in a period of rapid change and uncertainty. Governmental programs have been proposed, and some adopted, from time to time, to reform various aspects of the U.S. healthcare delivery system. Some of these programs contain proposals to increase government involvement in healthcare, lower reimbursement rates and otherwise change the operating environment for our customers. Particularly, HIPAA and the regulations that are being promulgated thereunder are causing the healthcare industry to change its procedures and incur substantial cost in doing so. Although we expect these regulations to have the beneficial effect of spurring adoption of our software products, we cannot predict with any certainty what impact, if any, these and future healthcare reforms might have on our software business. See "BUSINESS - Governmental Regulation."

In connection with our equity line of credit financing, we have registered 9,500,000 additional shares with the SEC for sale by the providers of the financing, of which 5,031,371 shares remain available for issuance as of March 15, 2002. The resale of the common stock that may be issued by us under the equity line of credit will substantially increase the number of our publicly traded shares ("float"). If existing shareholders perceive that this increased float is not accompanied by a commensurate increase in value to the Company, then shareholder value--real or perceived--will be diluted. Such dilution could cause holders of our shares of common stock to sell, thus depressing the price of our common stock. Therefore, the very existence of the equity line financing could depress the market price of our common stock.

The resale of the common stock that will be issued by us under our equity line of credit financing could depress the market price of our common stock. The terms of the equity line provide that we will sell shares of our common stock to the providers of the financing at 91% of the average of the three lowest of the daily volume-weighted average prices of our common stock during the 22-trading day period immediately before our request for the advance. Therefore, since all of the shares that are issued by us in connection with advances under the equity line financing will have a "built-in" discount of at least 9% upon issuance, this could produce an impetus for the providers of the equity line to resell their shares sooner or in greater quantity than they would otherwise. Such resale could have the effect of depressing our share price. At March 15, 2002 the Company had issued 2,748,552 shares to the equity line providers, all of which has been sold into the public market. Trading activity related to the liquidation of these shares shown little correlation to downward movements in share price.

As of March 15, 2002, we had 58,386,516 shares of common stock outstanding. As of that date, approximately 24,117,525 shares were issuable upon the exercise of outstanding options, warrants or other rights, and the conversion of preferred stock. Most of these shares will be immediately saleable upon exercise or conversion under registration statements we have filed with the SEC. The exercise prices of options, warrants or other rights to acquire common stock presently outstanding range from $0.19 per share to $4.97 per share. During the respective terms of the outstanding options, warrants, preferred stock and other outstanding derivative securities, the holders are given the opportunity to profit from a rise in the market price of the common stock, and the exercise of any options, warrants or other rights may dilute the book value per share of the common stock and put downward pressure on the price of the common stock. The existence of the options, conversion rights, or any outstanding warrants may adversely affect the terms on which we may obtain additional equity financing. Moreover, the holders of such securities are likely to exercise their rights to acquire common stock at a time when we would otherwise be able to obtain capital on terms more favorable than could be obtained through the exercise or conversion of such securities. See also the impact of our equity line of credit financing discussed in the following paragraphs.

As with any business, growth in absolute amounts of selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially and adversely from the results contemplated by the forward-looking statements. Budgeting and other management decisions are subjective in many respects and thus susceptible to incorrect decisions and periodic revisions based on actual experience and external business developments, the impact of which may cause us to alter our marketing, capital expenditures or other budgets, which may, in turn, affect our results of operation. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans for the Company will be achieved.

Results of Operation

Comparison of years ended December 31, 2001 and December 31, 2000

Total revenues decreased approximately $297,000 from $326,000 in 2000 to $29,000 in 2001. The decrease is due to a decrease in Cymedix pilot program fees billed during 2001 of $189,000, and a decrease in ADC revenue of $108,000 as a result of discontinuing that business segment.

Direct costs of services increased approximately $33,000 from $180,000 in 2000 to $213,000 in 2000. The increase is due to amortization of capitalized software development costs related to Cymedix.

Software development costs increased approximately 57% from $685,000 in 2000 to $1,075,000 in 2000, as a result of costs incurred in the ongoing development of the Cymedix product line.

Selling, general and administrative expenses decreased approximately 3% from $5,925,000 in 2000 to $5,746,000 in 2001. The decrease is attributable to a company wide salary reduction program that was undertaken early in 2001.

During 2001, the Company recorded impairment expense of $1,111,000 resulting from the discontinuance of its Automated Design Concepts division which totaled $443,000, to focus staff resources on the Company's primary technology, and the cancellation of its Zirmed license totaling $668,000 agreement which was a result of management's assessment that the Company's needs would be better served by superior technology.

Other income decreased approximately $151,000 from 2000 to 2001. This increase reflects a decline in interest income that had been earned on excess cash received and invested during 2000 from the exercise of options and warrants.

Interest expense increased $61,000 from 2000 to 2001 due to interest that was paid on a convertible promissory note issued during 2001.

Financing costs of $2,428,000 were incurred in 2001 due to warrants issued and an in-the money conversion feature in connection with the convertible debt credit facility of $581,000, a warrant issued in the private equity placement valued at $113,000, and shares issued in the conversion of debt and related equity share issuances at below market prices which resulted in costs of $1,734,000.

Net gain (loss) from discontinued operations decreased approximately $929,000 from $929,000 in 2000 to $0 in 2001, due to the sale during February 2000 of the remaining assets of the company's staffing operations.

Net loss increased approximately $5,221,000 from $5,415,000 in 2000 to $10,636,000 in 2001 due to the reasons discussed above.

Comparison of years ended December 31, 2000 and December 31, 1999

Total revenues increased approximately $302,000 from $24,000 in 1999 to $326,000 in 2000. The increase is due to Cymedix pilot program fees billed during 2000, and ADC revenue from the date of acquisition (March 8, 2000) through December 31, 2000.

Direct costs of services increased approximately $178,000 from $2,000 in 1999 to $180,000 in 2000. The increase is due to amortization of capitalized software development costs related to Cymedix of $124,000, as well as costs associated with ADC revenue of $16,000, from the period March 8, 2000 through December 31, 2000.

Software development costs increased approximately 15% from $596,000 in 1999 to $685,000 in 2000, as a result of costs incurred in the ongoing development of the Cymedix product line. During the third quarter of 2000 the company began capitalizing and amortizing software development costs.

Selling, general and administrative expenses increased approximately 57% from $3,777,000 in 1999 to $5,925,000 in 2000. The increase is due primarily to an increase in executive management and operational salaries and benefits as of $1,088,000, as well as consulting fees related to employee recruitment and placement of $272,000, and legal, accounting and advisory services of $248,000.

Net loss from operations increased approximately $2,113,000 from $4,351,000 in 1999 to $6,464,000 in 2000. This increase is primarily due to the increases in selling, general and administrative expenses described above.

Other income increased approximately $156,000 from 1999 to 2000. This increase reflects interest income on excess cash received and invested during the year from the exercise of options and warrants.

Interest expense decreased 79%, or approximately $161,000 from 1999 to 2000 due to interest that was paid and imputed on a convertible promissory note during 1999.

Net loss from continuing operations increased approximately $1,796,000 from $4,548,000 in 1999 to $6,344,000 in 2000 due to all of the reasons discussed above.

Net gain (loss) from discontinued operations increased approximately 411% or $1,228,000 from $(299,000) in 1999 to $929,000 in 2000, due to the sale during February 2000 of the remaining assets of the company's staffing operations.

Net loss increased approximately $568,000 from $4,847,000 in 1999 to $5,415,000 in 2000 due to the reasons discussed above.

Liquidity and Capital Resources

We had $8,000 in cash as of December 31, 2001 compared to $1,007,000 in cash as of December 31, 2000 and $1,229,000 as of December 31, 1999. Net working capital was ($1,404,000) as of December 31, 2001 compared to $394,000 as of December 31, 2000 and $644,000 as of December 31, 1999. During 2001, net cash used in operating activities was $5,397,000 compared to $5,173,000 in 2000. During 2001, we raised $1,500,000 from a convertible note financing, $1,200,000 from private placements of our common stock, $1,510,000 from our equity line of credit and $369,000 from exercise of options and warrants. During 2000, we raised $6,091,000 from the exercise of options and warrants. During 1999, we raised $4,112,000 from private placements of preferred stock, $500,000 from issuance of a convertible promissory note, and $150,000 from exercise of options and warrants.

Subsequent to year-end and through March 15, 2002, we received approximately $3,800 from the exercise of options and warrants, $1,000,000 from a secured convertible note financing, and $883,000 from our equity line financing. As of March 15, 2002, we had outstanding warrants exercisable for 5,136,000 shares of common stock, exercisable at $0.50 per share, with a aggregate exercise price of $2,568,000 which are callable for $.01 per warrant upon thirty days written notice. However, no assurance can be given that if called such warrants would be exercised. From time to time, members of senior management have made short-term loans to us to meet payroll obligations. However, there is no commitment to continue that practice.

We will continue to have financing costs charged to our statement of operations in the future for convertible debt we issue with in-the-money conversion features.

Currently, we are funding our development and deployment activities through an equity line of credit financing. Draws under this financing are triggered by a "Put Notice" (advance request) initiated by ourselves each time we wish to draw funds. The financing investors are committed to accept the advance request provided certain conditions are met, some of which may be waived by agreement among the parties. Such advance request obligates us to issue to the investors shares of our common stock at a discount to market which is fixed in the contract. The shares are immediately re-saleable in the public markets by the investors. As of March 15, 2002, we had received $2,584,910 in advances, from which offering expenses of $191,278 was paid under the financing, and we had issued to the investors 4,468,629 shares of our common stock relating to the advances and an additional 542,847 shares to their affiliates as fees for arranging the equity line facility. The shares issued pursuant to the equity line advances to date have been priced from $0.46 to $0.77 per share.

We expect to continue to experience loses and negative cash flows from operations, in the near term, until such time as we are deployed on physicians' desktops in sufficient numbers to cover our overhead The current operation of our business and our ability to continue to further develop and deploy our Cymedix software products will depend upon our ability to obtain additional financing. At present, we are not receiving any significant revenues from the sale of our Cymedix software products. We are attempting to meet our current cash flow needs by raising capital in the private debt and equity markets and through the exercise of currently outstanding warrants. The development and marketing of the Cymedix software products require substantial capital investments. There can be no assurance that additional funding, if needed, will be available on terms acceptable to us, or at all. Failure to obtain such capital on a timely basis could result in lost business opportunities, the sale of the Cymedix business at a distressed price or the financial failure of our company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not hold or engage in transactions with market risk sensitive instruments

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and filed as a part of this Form 10-K are our Consolidated Financial Statements, beginning on page F-1.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

Our directors and executive officers, as of the March 15, 2002, and their biographical information are set forth below:

Name	Date of Birth	Position	Director Since
John R. Prufeta (1)(4)(5)	7/1/60	President, Chief Executive Officer and a Director	1999
Louis E. Hyman	1/15/68	Executive Vice President and Chief Technology Officer	N.A.
Patricia A. Minicucci	4/1/49	Executive Vice President for Operations	N.A.
Gary L. Smith	6/2/54	Executive Vice President and Chief Financial Officer	N.A.
Brian R. Ellacott	3/8/57	Senior Vice President and Division CEO, Southeast Region	N.A.
John T. Lane (1)(2)(3)(4)	4/13/42	Director and Chairman of The Board	1999
Samuel H. Havens (4)(5)	6/19/43	Director and Chair of the Nominating Committee	1999
Joan E. Herman (2)(3)	6/2/53	Director and Chair of the Audit Committee	2000
Patrick W. Jeffries(4)	1/25/53	Director and Chair of the Finance Committee	2001
Guy L. Scalzi(5)	7/18/46	Director	2001
Dr. David B. Skinner (1) (3) (2	4/28/35	Director and Chair of the Compensation Committee	1999

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Finance Committee
(5) Member of Nominating Committee

All of the our executive officers devote full-time to our company's business and affairs. Biographical information on each current executive officer and director is set forth below.

Biographical Information

John R. Prufeta. Mr. Prufeta joined the Company as a full time employee and as its President and Chief Executive Officer on March 1, 2000. Mr. Prufeta also is the Chairman of the Board of the Company's Cymedix Lynx subsidiary. He had been appointed to the position of Chief Executive Officer while a consultant to the Company in October 1999. Prior to that he was the Managing General Partner of The Creative Group, Creative Health Concepts, and TCG Development, and the President and Chief Executive Officer of Creative Management Strategies, Inc. for over 11 years. Those affiliated companies cover a wide spectrum of services within the healthcare industry. He was elected to the Company's Board of Directors in April 1999. A 1983 graduate of St. John's University with a B.S. in management, Mr. Prufeta graduated from the Executive Program, OPM at Harvard University, Graduate School of Business.

Louis E. Hyman. On May 14, 2001, Mr. Hyman became an officer of the Company with the titles of Executive Vice President and Chief Technology Officer. Prior to that, since March 9, 2001, he was a consultant to the Company, serving as interim Chief Technology Officer. From September 1999 until joining Medix, Mr. Hyman was President and CEO of Ideal Technologies, Inc., a healthcare integration consulting firm. Mr. Hyman held senior technology management and executive positions with CareInsite, Inc. (from August 1999 to September 2000 as Vice President of Information Technology) and LaPook Lear Systems Inc. (from August 1992 to August 1999 as Vice President and Director of Technology), both of which were merged into WebMD, Inc. in September 2000. As a result of these transactions, Mr. Hyman maintained his position as Vice President of Information Technology with WebMD through November 2000, where he played a key role in WebMD's integration efforts as well as initiatives to improve the Company's profitability. He graduated Summa Cum Laude from St. John's University where he earned a B.S. degree in Computer Science.

Patricia A. Minicucci. In March 2000, Ms. Minicucci joined the Company as Executive Vice President of Operations. Prior to joining Medix's staff, Ms. Minicucci served as Executive Vice President and a principal of Creative Health Concepts. In 1995, she founded and was Chief Executive Officer of Practice Paradigms, an organization serving primary care physicians. Prior to founding Practice Paradigms, Minicucci was Senior Vice President-Managed Care with Empire Blue Cross Blue Shield and, before that, President of the Employee Benefits Division of Washington National Corporation. Ms. Minicucci began her career in healthcare at CIGNA Corporation where she held numerous positions, including President of the South Central Division, CIGNA Healthplan Inc.; Vice President of the Human Resources Division, Employee Benefits Group; Vice President of the Human Resources Department, Group Insurance Division; and Regional Vice President of Field Claim Operations, Group Insurance Division. She holds a B.A. in History from Russell Sage College.

Gary L. Smith. Mr. Smith joined the Company as Executive Vice President and Chief Financial Officer in December of 2000. From 1995 to 2000, Mr. Smith was with Provident Group, a financial advisory firm serving companies operating in emerging market countries, where he was a principal. Previously, Mr. Smith was an executive of American Express Bank, the international banking arm of the financial services conglomerate American Express Corporation (NYSE: AXP), where he held various senior financial positions, most recently as Senior Director and Commercial Banking Head, London Branch. He holds a BS degree in Economics from the Wharton School and an MS in Accounting and Finance from the London School of Economics.

Brian R. Ellacott. In March 2000, Mr. Ellacott joined the Company as Senior Vice

President of Business Development. In mid-2001, Mr. Ellacott was appointed as the Division CEO for Southeast Region Markets. Mr. Ellacott served as president of Cosmetic Surgery Consultants from November 1998 until March 2000, when he joined Medix Resources, Inc. From 1996 to 1998 he was executive vice president of Alignis Inc., an alternative healthcare PPO. Before that, he was President-Bibb Hospitality (Atlanta) for The Bibb Company. Mr. Ellacott began his career in healthcare at Baxter International/American Hospital Supply where he held numerous positions, including Director of National Accounts (Chicago); Director of Marketing (Australia); Director of Marketing (Canada); Systems Manager (Canada); Regional Manager (British Columbia); and Product Manager (hospital products). He holds a B.A. in Business Administration, with Honors, from Wilfrid Laurier University (Waterloo, Canada).

John T. Lane. Prior to his retirement from J.P. Morgan & Company in 1994, Mr. Lane was head of that firm's U.S. Private Clients Group. He also served as Chairman of J.P. Morgan, Florida; a Director of Morgan Shareholder Services, J.P. Morgan of California, and Morgan Futures; and a member of the firm's Credit Policy committee. Earlier, he held a number of positions in the J. P. Morgan organization, which he joined in 1968. Since retiring from J.P. Morgan, Lane has served as a consultant to various organizations. Mr. Lane currently serves or the Boards of Acme Metals Incorporated and Biospecifics Technologies Corp., whose common shares are publicly traded. Mr. Lane holds an MBA degree from the University of Michigan, and a BA degree from Dartmouth College.

Samuel H. Havens. Prior to his retirement in 1996, Mr. Havens served as President of Prudential Healthcare for five years. He had begun his career with The Prudential Insurance Company as a group sales representative in 1965, and served in various posts in Prudential healthcare operations over three decades. Since retiring, Mr. Havens has served on the Board and as a consultant to various healthcare organizations. He is a member of the Board of Advisors of Temple Law School and the Editorial Board of Managed Care Quarterly. Havens completed the Executive Program in Business Administration at Columbia University. He holds a JD degree from Temple Law School, a CLU from the American College of Life Underwriters, and a BA degree from Hamilton College.

Joan E. Herman. Ms Herman is the Group President of WellPoint's Senior, Specialty, and State Sponsored Programs division and is responsible for the Company's Dental, Life & AD&D, Pharmacy, Behavioral Health, Workers' Compensation Managed Care Services, Senior Services, and Disability businesses. She is also responsible for WellPoint's State Sponsored Programs, which include MediCal and Healthy Families. In 1999, a WellPoint affiliate entered into an agreement with the Company to implement a pilot program for the introduction of Cymedix(R) software to healthcare providers identified by such affiliate. Ms. Herman serves on the Company's Board of Directors pursuant to the terms of that agreement. Prior to joining WellPoint in 1998, Ms. Herman was the Senior Vice President, Strategic Development and Senior Vice President, Group Insurance for Phoenix Home Life Mutual Insurance Company. Ms. Herman has served as chairman of the board of Leadership Greater Hartford and been a member of the board of directors of the American Academy of Actuaries, the American Leadership Forum, the Hartford Ballet, the Greater Hartford Arts Council, and the Children's Fund of Connecticut. She is a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. Ms. Herman holds an MA in Mathematics from Yale University, an MBA from Western New England College, and an A.B. in mathematics from Barnard College.

Patrick W. Jeffries. In March 2002, Mr. Jeffries became the Executive Vice President for IT and Central Services of WellPoint Health Networks Inc. Mr. Jeffries is the founding partner of Health Technology Partners, LLC and a predecessor company, which was founded in 1997 and provides consulting services for healthcare and technology companies. From August 1997 to March 1999, Mr. Jeffries was the CEO and Chairman of the Board of OpTx Corporation, during which time he lead this disease management company in its transition from a late development stage company to commercial profitability. From December 1995 to July 1997, he was Executive Vice President of Salick Health Care, Inc., a national system of cancer treatment facilities. From 1985 to 1995, Mr. Jeffries was first an associate and then a partner of McKinsey & Company, Inc., an international management consulting firm. He holds an MBA from Cornell University and a BSEE from Washington University.

Guy L. Scalzi. Mr. Scalzi is Vice President of First Consulting Group Management Services, LLC, a healthcare information technology consultant. Prior to joining that company in January 2000, he was Senior Vice President and Chief Information Officer for New York Presbyterian Healthcare System from April 1996 to December 1999. From January 1995 to March 1996, Mr. Scalzi was Director of Planning for Information Services at New York Hospital-Cornell Medical Center. From June 1993 to December 1994, he was Chief Information Officer, The Hospital for Joint Diseases, New York University Medical Center. From 1984 to 1993, he was a founder and senior executive with DataEase International, Inc., an international PC software development and marketing company. Mr. Scalzi has an MBA from Manhattan College and a B.S. degree from The State University of New York at Oswego.

Dr. David B. Skinner. Dr. Skinner is President Emeritus of the New York-Presbyterian Hospital and the New York-Presbyterian Healthcare System. He was Vice Chairman/President and CEO of the Society of the New York Hospital and its Healthcare System and subsequently of the merged institution for 13 years. He is also a professor of cardiothoracic surgery and surgery at the Weill Medical College of Cornell University, professor of surgery at Columbia University College of Physicians and Surgeons, and an attending surgeon at New York Presbyterian Hospital. He was professor of surgery at Johns Hopkins University School of Medicine from 1968 to 1972, and professor and chairman of surgery at the University of Chicago, Pritzker School of Medicine from 1973 to 1987. Dr. Skinner has been awarded numerous honorary degrees, faculty appointments, corporate directorships, and domestic and international honors, awards, and prizes. Dr. Skinner holds a BA degree, with high distinction, from the University of Rochester and an MD degree, cum laude, from Yale University.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and executive officers, and persons who own more than 10% of a registered class of a company's equity securities, to file with the U. S. Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the Company's common stock and other equity securities. Officers, directors and greater than 10% shareholders are required by Securities and Exchange Commission regulations to furnish the Company with copies of all Section 16(a) reports they file. Based solely upon such reports, we believe that none of such persons failed to comply with the requirements of Section 16(a) during 2001.

ITEM 11. EXECUTIVE COMPENSATION

Executive Officer Compensation

Summary Compensation Table. The following table sets forth the annual and long-term compensation for services in all capacities to the Company for the three years ended December 31, 2001, awarded or paid to, or earned by our Chief Executive Officer ("CEO") and our four other most highly compensated officers (the "Named Officers").

	Annual Compensation	Long-Term Compensation

Name and Principal Position	Fiscal Year	Salary	Bonus	Other(1)	Securities Underlying Options (Shares)
John R. Prufeta President and CEO	2001	$114,000	0		425,000
	2000	$120,000	0		600,000
	1999	$171,000(2)	0		925,000
Louis E. Hyman, Executive Vice President and Chief Technology Officer	2001	156,625(3)	0		250,000
Patricia A.		$197,000	0		175,000
Minicucci	2001	$163,846	0		400,000
Executive Vice President for Operations	2000				
Gary L. Smith, Executive Vice President and Chief Financial Officer	2001	$197,000	0		175,000
	2000	$2,430	0		250,000
Brian R. Ellacott Senior Vice President	2001	$165,000	0		175,000
	2000	$125,769			150,000

(1) Other annual compensation, except as noted, is made up of automobile allowances, and disability and health insurance premiums, in amounts less than 10% of the officer's annual salary plus bonus.

(2) During 1999, Mr. Prufeta served as a consultant to the Company pursuant to a consulting agreement between the Company and his employer, Creative Management Strategies, Inc., which company was paid or accrued the amount shown above and received options to purchase 25,000 shares of Common Stock, included in the amount shown. He became an employee of the Company in early 2000.

(3) During 2001, Mr. Hyman, through an affiliated entity, served as a consultant to Medix before he became a full time employee and executive officer. This amount includes the consulting compensation to his firm. He also received a grant of options to purchase 20,000 shares for his consulting services.

Stock Option Awards. In August 1999, our Board of Directors approved and authorized our 1999 Stock Option Plan (the "1999 Plan"), which is intended to grant either non-qualified stock options or incentive stock options, as described below. In 2000, our shareholders approved the 1999 Plan. The purpose of the 1999 Plan is to enable our company to provide opportunities for certain officers and key employees to acquire a proprietary interest in our company, to increase incentives for such persons to contribute to our performance and further success, and to attract and retain individuals with exceptional business, managerial and administrative talents, who will contribute to our progress, growth and profitability.

Options granted under our 1999 Plan include both incentive stock options ("ISOs"), within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and non-qualified stock options ("NQOs"). Under the terms of the Plan, all officers and employees of our company are eligible for ISOs. Our company determines in its discretion, which persons will receive ISOs, the applicable exercise price, vesting provisions and the exercise term thereof. The terms and conditions of option grants differ from optionee to optionee and are set forth in the optionees' individual stock option agreement. Such options generally vest over a period of one or more years and expire after up to ten years. In order to qualify for certain preferential treatment under the Code, ISOs must satisfy the statutory requirements thereof. Options that fail to satisfy those requirements will be deemed NQOs and will not receive preferential treatment under the Code. Upon exercise, shares will be issued upon payment of the exercise price in cash, by delivery of shares of Common Stock, by delivery of options or a combination of any of these methods. At our 2001 Annual Meeting, our shareholders approved an increase of 3,000,000 shares to 13,000,000 as the amount of total shares of our Common Stock reserved for issuance under the 1999 Plan.

As of March 15, 2002, we had issued 5,736,560 shares of our Common Stock upon exercise of options to current or former employees and directors, and have 6,568,667 shares currently covered by outstanding options held by current or former employees and directors, with exercise prices ranging form $.19 to $4.97. Such options have been granted under the 1999 Plan and earlier stock option plans.

Option information for fiscal 2001 relating to the Named Officers is set forth below:

Options Granted in 2001

Name	Number of Shares of Common Stock Underlying Options Granted in 2001	Percentage of Total Options Granted to Employees in 2001	Exercise Price	Expiration Date	Valuation under Black-Scholes Pricing Method(1)
John R. Prufeta	400,00	21.2%	$.62	4/17/06	$217,755
	25,000	1.3%	$.60	3/23/06	$ 13,171
Louis E. Hyman	230,000	12.2%	$.61	5/14/06	$123,190
	20,000	1.1%	$.70	3/03/03	$ 15,580
Patricia A.	150,000	7.9%	$.61	5/14/06	$ 80,341
Minicucci	25,000	1.3%	$.60	3/23/06	$ 13,171
Gary L. Smith	150,000	7.9%	$.61	5/14/06	$ 80,341
	25,000	1.3%	$.60	3/23/06	$ 13,171
Brian R. Ellacott	150,000	7.9%	$.61	5/14/06	$ 80,341
	25,000	1.3%	$.60	3/23/06	$ 13,171

(1) The Black-Scholes option-pricing model estimates the options fair value by considering the following assumptions: the options exercise price and expected life, the underlying current market price of the stock and expected volatility, expected dividends and the risk free interest rate corresponding to the term of the option. The fair values calculated above use expected volatility of 132%, a risk-free rate of 5.5%, no dividend yield and anticipated exercise at the end of the term.

Number of Shares Underlying Unexercised Options at Year-End	Value of Unexercised In-the-Money Options at Year-End(1)

Name	Shares Exercised	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
John R. Prufeta	0	0	1,450,000(2)	500,000	$258,250	$80,000
Louis E. Hyman	0	0	112,500	137,500	$ 8,325	$12,375
Patricia A. Minicucci	0	0	575,000	0	$ 16,000	$ 0
Gary L. Smith	0	0	325,000	100,000	$ 16,000	$ 0
Louis E. Hyman	0	0	112,500	137,500	$ 8,325	$12,375
Brian R. Ellacott	0	0	312,500	12,500	$ 16,000	$ 0

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(1) The dollar values are calculated by determining the difference between $0.70 per share, the fair market value of the Common Stock at December 31, 2001, and the exercise price of the respective options.
(2) Includes options covering 25,000 of these shares were granted to a company that is an affiliate of Mr. Prufeta for executive search services.

Medix has no retirement, pension or profit-sharing program for the benefit of its directors, executive officers or other employees, but the Board of Directors may recommend one or more such programs for adoption in the future. Medix does not make any contributions to its 401(k) Plan for its employees.

Employment Agreements.

Mr. Prufeta's Employment Agreement, which has an initial term of one year and renews in automatic one year increments thereafter, provides that he will be compensated at the base salary of $275,000 annually, plus a bonus of $400,000, subject to certain performance criteria. He holds the positions of President and Chief Executive Officer and reports to the Board of Directors. Pursuant to his Employment Agreement, Mr. Prufeta has been granted options to purchase 200,000 shares of Common Stock at $.70 per share, which vest upon the occurrence of certain performance goals. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay.

Mr. Hyman's Employment Agreement, which has an initial term of two years, ending on May 14, 2003, provides that he will be compensated at the salary of $200,000 annually. He holds the position of Executive Vice President and Chief Technology Officer, and reports to the President and CEO. Pursuant to his Employment Agreement, he has been granted options to purchase 230,000 shares of Common Stock at $.61 per share, which vest over the 2-year term of his Employment Agreement. His Employment

Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause after the initial one-year of the term, subject to the right of the employee to continue to receive compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay.

Ms. Minicucci's Employment Agreement, which had an initial term of two years, ending on March 1, 2002, provided that she be compensated at the salary of $200,000 annually. Such term has been extended to May 1, 2002. She holds the position of Executive Vice President, Operations, and reports to the President and CEO. Pursuant to her Employment Agreement, she has been granted options to purchase 400,000 shares of Common Stock at $4.97 per share, which vest over the 2-year term of his Employment Agreement. Her Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause after the initial one-year term, subject to the right of the employee to continue to receive compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of her employment, she will receive a lump sum payment equal to his then current year's base and bonus pay.

Mr. Smith's Employment Agreement, which has an initial term of two years, ending on December 11, 2002, provides that he will be compensated at the salary of $200,000 annually. He holds the position of Executive Vice President and Chief Financial Officer, and reports to the President and CEO. Pursuant to his Employment Agreement, he has been granted options to purchase 250,000 shares of Common Stock at $1.125 per share, which vest over the 2-year term of his Employment Agreement. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause after the initial one-year of the term, subject to the right of the employee to continue to receive compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay.

Mr. Ellacott's Employment Agreement, which had an initial term of two years, ending on March 1, 2002, provided that he be compensated at the salary of $150,000 annually. Such term has been extended to May 1, 2002. In March 2001, Mr. Ellacott's annual salary was increased to $175,000. He initially held the position of Senior Vice President, Business Development, and recently was appointed as Senior Vice President and Southeast Division Market CEO, reporting to the Executive Vice President, Operations. Pursuant to his Employment Agreement, he has been granted options to purchase 150,000 shares of Common Stock at $3.97 per share, which vest over the 2-year term of his Employment Agreement. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, subject to the right of the employee to continue to receive compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions.

Director Compensation

In 1999, we adopted the policy of compensating non-employee Directors, $1,000 for attending each regular quarterly Board meeting in person, and $250 for attendance by telephone. The Board of Directors has also authorized payment of reasonable travel or other out-of-pocket expenses incurred by non-employee directors for attending Board or committee meetings. Notwithstanding this policy, during 2001, the Directors waived such fees but not reimbursements for out-of-pocket expenses. Independently, Ms Joan Herman has waived her director fees altogether, based on WellPoint company policy.

From time to time, the Board of Directors will grant non-employee Directors options to acquire shares of Common Stock as compensation for their services to the Company as Directors. During 2001, we granted options covering 200,000 shares of Common Stock each to Mr. Jeffries and Mr. Scalzi, at the time they became Directors, which are exercisable at $.78 per share.

In January 2002, the Directors discontinued the policy of cash fees to Directors for attending Board or committee meetings. Instead, non-employee Directors will be compensated for their services through the grant of options to purchase our Common Stock. As of January 22, 2002, each Director, except Ms. Herman based on the policy referred to above, has been granted options to purchase 40,000 shares of Common Stock at an exercise price of $0.70 per share. Those options vest in quarterly 10,000 share increments, from the date of grant, provided that the Director remains on the Board of the Company.

In 1999, we entered into a consulting agreement with Mr. Samuel Havens, which provides that we pay Mr. Havens $5,000 per month for his consulting services in connection with our marketing efforts. Mr. Havens has deferred his monthly payment since April, 2001, with the accrued amount payable to Mr. Havens at March 15, 2002 being $55,000. During 2001, we paid Mr. Havens $20,000 for his services.

Board Compensation Committee Report on Executive Compensation

The Compensation Committee of the Board of Directors (the "Committee") administers the Medix stock option plans and oversees our executive compensation, subject to approval of its recommendations by the Board of Directors. Executive compensation includes base salaries, annual incentives and long term stock option plans, as well as any executive benefits and/or prerequisites.

Our general compensation philosophy for our executive officers, including our Chief Executive Officer ("CEO"), is to offer competitive compensation packages that are designed to attract and retain key executives critical to the success of the Company. At present, packages include annual cash compensation (salaries) and long-term compensation consisting of options to purchase the Company's stock, to align the interests of management with those of the Company's shareholders. Beginning with calendar year 2002, executive packages will include variable amounts of annual bonus potential, tied to specific performance goals for the Company and the individual executives. The Committee intends to review the performance and compensation of executives annually, in conjunction with the performance of the Company. Incentive Stock Option awards are based upon the Committee's judgment as to the relative rank and contribution of each executive (or other employee) to the success and survival of the Company.

In addition, the Company has entered into employment agreements with its executive officers, as outlined earlier in this report.

Compensation Committee,

Dr. David B. Skinner, Chairman
Ms. Joan E. Herman
Mr. John T. Lane

Compensation Committee Interlocks and Insider Participation

In 1999, we entered into agreements with Wellpoint Pharmacy Management ("WPM") to implement a pilot program for the introduction of Cymedix(R)software to healthcare providers identified by WPM. After the required testing of the software, the agreements provide for a production program to install the software broadly among WPM managed providers. One of the agreements provides that Medix will nominate a representative of WPM to be elected to the Company's Board of Directors. Ms. Herman is that representative. Such agreement also provided that WPM would be granted warrants evidencing the right to purchase up to 6,000,000 shares of Common Stock, which vest upon the occurrence of certain performance criteria. The agreement provides for the grant of warrants covering 3,000,000 shares with an exercise price of $0.30 per share, and warrants covering 3,000,000 shares with an exercise price of $0.50 per share, all expiring five years from the date of grant, September 8, 2004. In February 2002, the warrant agreement was amended to revise the performance criteria and to add an additional right to purchase up to 1,000,000 additional shares at $1.75 per share. At March 15, 2002, warrants covering 1,850,000 shares, exercisable at $.30 per share, had vested. In February 2002, Wellpoint Health Networks Inc., the parent of WPM made a secured convertible loan to Medix of $1,000,000. See "DESCRIPTION OF BUSINESS - Recent Developments" for a description of the terms of both these agreements. In addition, Mr. Jeffries, who became a director of ours in 2001, is an officer and consultant to Wellpoint Health Network.

Comparison of Cumulative Total Returns

The following graph compares the performance of the Company's common stock with the performance of the AMEX Composite Index and on Custom Composite Index (4 stocks) over the five year period extending through the end of 2001. The graph assumes that $100 was invested on December 31, 1996 in the Company's common stock, the AMEX Composite Index and the Custom Composite index, with any dividends being reinvested. The Company has provided this graph using publicly available information that it has no reason to believe is not accurate. However, the Company takes no responsibility for such information.

The Custom Composite Index includes Cybear, AllScripts, WebMD and ProxyMed, companies that the Company believes are its peers and that are involved in the same or similar lines of businesses. The Company believes that this peer group provides that the Company believes are its peers and a better comparison than broader indices which are publicly available. Data for Cybear, AllScripts and WebMD were not available for periods prior to 1999.

Based on the reinvestment of $100 beginning December 31, 1996

	12/31/1996	12/31/1997	12/31/1998	12/31/1999	12/31/2000	12/31/200

Medix Resources, Inc.	$ 100	$ 23	$ 9	$ 288	$ 100	$ 65
AMEX Composite Index	$ 100	$ 120	$ 120	$ 153	$ 155	$ 148
Custom Composite Index	$ 100	$ 98	$ 165	$ 138	$ 16	$ 20

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of Common Stock as of March 15, 2002 by (i) each person known by us to own beneficially more than 5 % of the outstanding shares of Common Stock. (ii) each director, named executive officer and (iii) all executive officers and directors as a group. On such date, we had 58,386,516 shares of Common Stock outstanding. Shares not outstanding but deemed beneficially owned by virtue of the right of any individual to acquire shares within 60 days are treated as outstanding only when determining the amount and percentage of Common Stock owned by such individual. Each person has sole voting and investment power with respect to the shares shown, except as noted.

Name and Address	Number of Shares	Percentage of Class
John R. Prufeta 420 Lexington Ave., Suite 1830 New York, New York	2,453,000(1)	4.1%
John T. Lane 94 Sixth Street Garden City, New Jersey	560,000(2)	*
Samuel H. Havens 58 Winged Foot Drive Livingston, New Jersey	210,000(3)	*
Joan E. Herman One Wellpoint Way Thousand Oaks, California	None(4)	0%
Patrick W. Jeffries One Wellpoint Way Thousand Oaks, California	110,000(3)	*
Guy L Scalzi The Chrysler Building, 37th Floor 42nd and Lexington Ave. New York, New York	110,000(3)	*
Dr. David B. Skinner 525 East 68th Street New York, New York	210,000(3)	*
Louis E. Hyman 420 Lexington Ave., Suite 1830 New York, New York	167,500(3)	*
Patricia A. Minicucci	575,000(3)	*

420 Lexington Ave., Suite 1830 New York, New York		
Gary L. Smith 420 Lexington Ave., Suite 1830 New York, New York	350,000(3)	*
Brian Ellacott 101 Village Parkway Building One Marietta, Georgia	325,000(3)	*
All directors and executive officers as a group (11 persons)	5,070,500	8.0%

*Less than 1% of the outstanding shares

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(1) Mr. Prufeta owns 737,000 shares of Common Stock, with the remainder available upon the exercise of warrants and options held by him.
(2) All of Mr. Lane's reported holdings are available upon the conversion or exercise of convertible preferred stock, warrants and options held by him, including 50 shares of the Company's 1999 Series B Convertible Preferred Stock (100% of the outstanding shares of that class), and 25 shares of the Company's 1999 Series C Convertible Preferred Stock (6.7% of the outstanding shares of that class).
(3) Represents shares of Common Stock available upon the exercise of outstanding options.
(4) Ms. Herman has declined the grant of any options based on Wellpoint company policy.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since 1996, we have had a policy that any transactions with directors or officers or any entities in which they are also officers or directors or in which they have a financial interest, will only be on terms that would be reached in an arms-length transaction, consistent with industry standards and approved by a majority of our disinterested directors. This policy provides that no such transaction by shall be either void or voidable solely because of such relationship or interest of such directors or officers or solely because such directors are present at the meeting of the Board of Directors or a committee thereof that approves such transaction or solely because their votes are counted for such purpose. In addition, interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof that approves such a transaction. We have also adopted a policy that any loans to officers, directors and 5% or more shareholders are subject to approval by a majority of the disinterested directors. All of the transactions described below have been approved according to this policy.

Before Mr. Prufeta was elected to our Board of Directors in 1999, OnPoint Partners (formerly known as Creative Management Strategies) ("OPP"), a company partially owned by Mr. John Prufeta, entered into agreements with us to provide executive search services and sales and marketing services to us. In connection with those agreements, we issued a 3-year option to acquire up to 25,000 shares of our Common Stock at an exercise price of $0.55 per share to OPP. We also paid such company $71,000 during 1999. In addition, for Mr. Prufeta's service to us as Chief Executive Officer until he became a full-time employee, and the above services provided by the affiliated company, we have paid $110,000 to OPP in 2000. At the time Mr. Prufeta became a full-time employee of the Company in

January of 2000, such agreements with OPP were terminated. During 2001 and 2000, we have paid OPP approximately $111,000 and $93,000, respectively, as reimbursements for rents and services for our former New York office space, which was leased in the name of OPP. In addition, we have paid OPP employee search fees of approximately $38,361 and $152,000 during 2001 and 2000, respectively, for their employee search services. OPP is a recognized provider of executive and employee search services to all areas of the health care industry, and provides it services to us at standard rates. The Board of Directors, through the Audit Committee, reviews and approves of our contractual arrangements with OPP.

We have entered into a consulting agreement with Mr. Samuel Havens, which provides that we pay Mr. Havens $5,000 per month for his consulting services in connection with our marketing efforts. Mr. Havens has deferred his monthly payment since April 2001, with the accrued amount payable to Mr. Havens at March 15, 2002 being $55,000. During 2001, we paid Mr. Havens $20,000 for his services.

See "EXECUTIVE COMPENSATION - Compensation Committee Interlocks and Insider Participation" for a description of other related party transactions.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report

(1) Financial Statements

See Financial Statements included after the signature page beginning at page F-1.

(2) Financial statement schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

(3) List of Exhibits

See Index to Exhibits on pages in paragraph (c) below.

(b) Reports on Form 8-K. The Company filed seven reports on Form 8-K during the last quarter of 2001 as follows:

1. Report filed with the SEC on October 9, 2001, reporting under Item 5, the issuance of a press release announcing that Medix Resources and Express Scripts will jointly deploy web-based pharmacy transaction services to physicians.

2. Report filed with the SEC on October 24, 2001, reporting under Item 5, the issuance of a press release announcing that a strategic alliance between Medix Resources and Merck-Medco to provide physicians with point of care access to clinical information and electronic prescribing through Cymedix(R)suite of web-based pharmacy benefit management transaction services.

3. Report filed with the SEC on October 31, 2001, reporting under Item 5, the issuance of a press release announcing that a strategic alliance between Medix Resources and Merck-Medco to provide physicians with point of care access to clinical information and electronic prescribing through

Cymedix(R)suite of web-based pharmacy benefit management transaction services.

4. Report filed with the SEC on November 2, 2001, reporting under Item 5, the issuance of a press release announcing the introduction of Cymedix(R)III, the next generation of Medix's proprietary, point-of-care products.

5. Report filed with the SEC on November 15, 2001, reporting under Item 5, the issuance of a press release announcing that Medix Resources will assist Georgia doctors with electronic Medicaid claims filing.

6. Report filed with the SEC on December 11, 2001, reporting under Item 5, the issuance of a press release announcing that Medix will provide a telephonic progress report.

7. Report filed with the SEC on December 26, 2001, reporting under Item 5, that Medix Resources had announced that its business plan indicates that the certain financial goals could be attained provided adequate financing is available.

(c) Exhibits required by Item 601 of Regulation S-K. We will furnish to our shareholders a copy of any of the exhibits listed below upon payment of $.25 per page to cover the costs of the Company of furnishing the exhibits.

Exhibit No.	Description
3.1.1	Articles of incorporation of the Company as filed on April 22, 1988 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.1 to the Registration Statement on Form SB-2 (Reg. No. 33-81582-D), filed with the SEC in July 14,1994 (the "1994 Registration Statement").
3.1.2	Articles of Amendment to Articles of Incorporation of the Company as filed on May 24, 1988 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.2 to the 1994 Registration Statement.
3.1.3	Articles of Amendment to Articles of Incorporation of the Company as filed on February 16, 1990 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.3 to the 1994 Registration Statement.
3.1.4	Articles of Amendment to Articles of Incorporation of the Company as filed on August 12, 1994 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.4 to Amendment No. 1 to the 1994 Registration Statement, filed with the SEC on August 15, 1994.
3.1.5	Articles of Amendment to Articles of Incorporation of the Company as filed on September 12, 1994 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.5 to Amendment No. 3 to the 1994 Registration Statement, filed with the SEC on September 12, 1994.
3.1.6	Certificate of Designation of 1996 Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement of the Company on Form S-3, filed with the SEC October 10, 1996.
3.1.7	Articles to Amendment to Articles of Incorporation filed with the Secretary of State of the State of Colorado on October 9, 1996,

	incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement of the Company on Form S-3 filed with the SEC on October 10, 1996.
3.1.8	Articles of Amendment containing Articles of Designation of 1997 Convertible Preferred Stock, incorporated by reference to Exhibit 3.1.8 to the Company's Form 10-KSB filed with the SEC on March 31, 1997.
3.1.9	Articles of Amendment to Articles of Incorporation of the Company as filed on November 14, 1997 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.9 to the Company's Form 10-KSB filed with the SEC on March 30, 1998.
3.1.10	Articles of Amendment to Articles of Incorporation of the Company as filed on February 17, 1998 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.10 to the Company's Form 10-KSB filed with the SEC on March 30, 1998.
3.1.11	Articles of Amendment to Articles of Incorporation of the Company as filed on March 17, 1998 with the Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.11 to the Company's Form 10-KSB filed with the SEC on March 30, 1998.
3.1.12	Articles of Amendment of Articles of Incorporation establishing the 1999 Series A Convertible Preferred Stock as filed on April 21, 1999, with Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.12 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
3.1.13	Articles of Amendment of Articles of Incorporation increasing the authorized capital of the Company as filed on June 11, 1999, with Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.13 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
3.1.14	Articles of Amendment of Articles of Incorporation establishing the 1999 Series B Convertible Preferred Stock as filed on July 22, 1999, with Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.14 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
3.1.15	Articles of Amendment of Articles of Incorporation establishing the 1999 Series C Convertible Preferred Stock as filed on January 21, 2000, with Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.15 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
3.1.16	Articles of Amendment of Articles of Incorporation increasing the authorized capital of the Company as filed on March 22, 2000, with Secretary of State of the State of Colorado, incorporated by reference to Exhibit 3.1.16 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
3.2	Amended and Restated By-Laws of the Company, incorporated by reference to Exhibit 3.2.2 to Amendment No. 1 to the Registration Statement filed with the SEC on August 15, 1994.
4.1	Form of specimen certificate for common stock of the Company, incorporated by reference to Exhibit 4.1. to the Company's Form 10-KSB filed with the SEC on March 30, 1998.

4.2	Form of 1996 Unit Warrant, incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement of the Company on Form S-3 filed with the SEC on October 10, 1996.
4.3	Warrant issued January 28, 1997 to Millenco, L.P, Incorporated by reference to Exhibit 4.9 to the Company's Form 10-KSB filed with the SEC on March 31, 1997.
4.4	Form of 1997 Unit Warrant, incorporated by reference to Exhibit 4.11 to the Company's Form 10-KSB filed with the SEC on March 31, 1997.
4.5	Form of Warrant issued with the 1999 Series A, B, and C Convertible Preferred Stock, incorporated by reference to Exhibit 4.7 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
4.6	Amended and Restated Warrant to Purchase Common Stock issued to Wellpoint Pharmacy Management, dated September 8, 1999 and amended February 18, 2002, incorporated by reference to Exhibit 10.7 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002.
10.1.1	Incentive Stock Option Plan, adopted May 5, 1988, authorizing 100,000 shares of common stock for issuance pursuant to the Plan, incorporated by reference to Exhibit No. 10.2.1 of the 1994 Registration Statement.
10.1.2	Omnibus Stock Option Plan, adopted effective January 1, 1994, authorizing 500,000 shares of common stock for issuance pursuant to the Plan, incorporated by reference to Exhibit No. 10.2.2 of the 1994 Registration Statement.
10.1.3	1996 Stock Incentive Plan, adopted by the Company's Board of Directors on November 27, 1996, authorizing 4,000,000 shares of common stock for issuance pursuant to the Plan., incorporated by reference to Exhibit 10.2.3 to the Company's Form 10-KSB filed with the SEC on March 30, 1998.
10.1.4	1999 Stock Option Plan, adopted by the Board of Directors on August 16, 1999, as amended, incorporated by reference to Exhibit 10.2.4 to the Company's Form 10-KSB filed with the SEC on March 21, 2001.
10.2	Agreement and Plan of Merger, dated as of November 17, 1997, among International Nursing Services, Inc., Cymedix Lynx Corporation and Cymedix Corporation, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on December 24, 1997.
10.3	Amendment No. 1 to Agreement and Plan of Merger, dated as of December 10, 1997, among International Nursing Services, Inc., Cymedix Lynx Corporation and Cymedix Corporation, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on December 24, 1997.
10.4	Purchase and Sale Agreement, dated September 14, 1998, among Premier Home Health Care Services, Inc., National Care Resources-New York, Inc., and Medix Resources, Inc., incorporated by reference to Exhibit 10.23 to the Company's Form 8-K, filed with the SEC on September 28, 1998.
10.5	Employment Agreement between the Company and Mr. John R. Prufeta, dated as

	of February 1, 2002.*
10.6	Employment Agreement between the Company and Mr. Brian R. Ellacott, dated as of February 11, 2000, incorporated by reference to Exhibit 10.21 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
10.7	Employment Agreement between the Company and Ms. Patricia A. Minicucci, dated as of February 15, 2000, incorporated by reference to Exhibit 10.22 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
10.8	Asset Purchase Agreement, dated as of February 19, 2000, among Medix Resources, Inc., Medical Staffing Network, Inc., National Care Resources - Texas, Inc., National Care Resources - Colorado, Inc. and TherAmerica, Inc., incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, filed with the SEC on March 7, 2000.
10.9	Agreement and Plan of Merger, dated as of March 8, 2000, among Medix Resources, Inc., Cymedix Lynx Corporation, Automated Design Concepts, Inc. and David R. Pfeil, incorporated by reference to Exhibit 10.24 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
10.10	Consulting Agreement between the Company and Mr. Samuel H. Havens, dated as of October 1, 1999, incorporated by reference to Exhibit 10.25 to the Company's Form 10-KSB, filed with the SEC on March 30, 2000.
10.11	Executive Employment Agreement between the Company and Mr. Gary L. Smith, dated as of December 11, 2000, incorporated by reference to Exhibit 10.20 to the Company's Form 10-KSB filed with the SEC on March 21, 2001.
10.12	Executive Employment Agreement between the Company and Louis E. Hyman, dated May 14, 2001*
10.13	Securities Purchase Agreement, dated as of December 29, 2000, between RoyCap Inc. and Medix Resources, Inc., incorporated by reference to Exchibit 10.1 to the Company's form S-2 registration Statement filed with the SEC on January 29, 2001.
10.14	Convertible Note of Medix Resources, Inc., dated as of December 29, 2000 in the principal amount of up to $2,500,000, in favor of RoyCap Inc., incorporated by reference to Exchibit 10.2 to the Company's form S-2 registration Statement filed with the SEC on January 29, 2001.
10.15	Registration Rights Agreement, dated as of December 29, 2000, between RoyCap Inc. and Medix Resources, Inc. incorporated by reference to Exchibit 10.3 to the Company's Form S-2 Registration Statement filed with the SEC on January 29, 2001.
10.16	Warrant Agreement, dated as of December 29, 2000, between RoyCap Inc. and Medix Resources, Inc., incorporated by reference to Exchibit 10.4 to the Company's Form S-2 Registration Statement filed with the SEC on January 29, 2001.
10.17	Securities Purchase Agreement, dated February 19, 2002, between Medix and Wellpoint Health Networks Inc. incorporated by reference to Exhibit 10.8 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002.
10.18	General Security Agreement, dated February 19, 2002, among Medix, Cymedix and Wellpoint Health Networks Inc., incorporated by

reference to Exhibit 10.9 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572) filed with the SEC on February 28, 2002.

10.19	Participation Agreement, dated as of April 2, 2001, between Medix and Kaiser Foundation Health Plan of Georgia, Inc., incorporated by reference to Exhibit 10.1 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.20	Agreement, dated as of October 18, 2001, between Medix and Merck-Medco Managed Care, L.L.C., incorporated by reference to Exhibit 10.2 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.21	Vendor Services Agreement, dated as of September 28, 2001, between Medix and Express Scripts, Inc., incorporated by reference to Exhibit 10.3 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.22	Binding Letter of Intent for Pilot and Production Programs, dated September 8, 1999, between Medix, Cymedix and Professional Claims Services, Inc. (d/b/a Wellpoint Pharmacy Management), incorporated by reference to Exhibit 10.4 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.23	Pilot Agreement, dated as of December 28, 1999, between Cymedix and Professional Claims Services, Inc. (d/b/a Wellpoint Pharmacy Management), incorporated by reference to Exhibit 10.5 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.24	Agreement For Internet Medical Communications Network, dated March 2, 2000, between Cymedix and Loyola University Medical Center, incorporated by reference to Exhibit 10.6 to the Company's Amendment No.1 to Registration Statement on Form S-2 (Reg. No. 333-73572), filed with the SEC on February 28, 2002. (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the SEC)
10.25	Lease between SLG Graybar Sublease, LLC and the Company, dated January 17, 2002 for the Company's principal executive office.*
21.	Subsidiaries of the Company.*
23.	Consent of Ehrhardt Keefe Steiner & Hottman PC, independent certified

public accountants for the Company, to the incorporation by reference of its report dated March 19, 2002, appearing elsewhere in this From 10-KSB into the Company's Registration Statements on on Form S-3 (Reg. No. 333-32308 and 333-85483) and Registration Statements on Form S-8 (Reg. No. 333-31684, 333-57558 and 333-73578).*

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*Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on behalf by the undersigned, thereunto duly authorized on March 28, 2002.

MEDIX RESOURCES, INC.

By:/s/ John R. Prufeta

President and CEO

In accordance with 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 indicated and on the dates indicated.

Signature	Title	Date
/s/ John R. Prufeta John R. Prufeta	President and Chief Executive Officer (Principal Executive Officer	March 28, 2002
/s/ Gary L. Smith Gary L. Smith	Executive Vice President and Chief Financial Officer (Principal) Accounting and Financial Officer)	March 28, 2002
/s/Joan E. Herman Joan E. Herman	Director	March 28, 2002
/s/ Dr. David B. Skinner Dr. David B. Skinner	Director	March 28, 2002
/s/ John T. Lane John T. Lane	Director	March 28, 2002
/s/ Samuel H. Havens Samuel H. Havens	Director	March 28, 2002
Patrick W. Jeffries	Director	March 28, 2002

/s/ Guy L. Scalzi ----------------- Guy L. Scalzi	Director	March 28, 2002

Medix.resources, inc.
Connecting the world of healthcare

Consolidated Financial Statements
and
Independent Auditors' Report
December 31, 2001 and 2000

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Medix Resources, Inc.
Englewood, CO

We have audited the accompanying consolidated balance sheets of Medix Resources, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medix Resources, Inc. as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has experienced recurring losses and has a working capital deficit which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ehrhardt Keefe Steiner & Hottman PC

March 19, 2002
Denver, Colorado