

The following table summarizes Netsmart's major income and expense line items as reported in the consolidated statements of operations for the years ended December 31, 2018 and 2017:

(In thousands)	Year ended December 31,	
	2018	2017
Major income and expense line items related to Netsmart:		
Revenue:		
Software delivery, support and maintenance	\$ 214,065	\$ 198,204
Client services	131,166	110,430
Total revenue	345,231	308,634
Cost of revenue:		
Software delivery, support and maintenance	60,100	51,079
Client services	94,061	78,317
Amortization of software development and acquisition related assets	34,357	29,876
Total cost of revenue	188,518	159,272
Gross profit	156,713	149,362
Selling, general and administrative expenses	125,807	85,583
Research and development	25,315	17,937
Amortization of intangible and acquisition-related assets	24,029	16,409
Income from discontinued operations of Netsmart	(18,438)	29,433
Interest expense	(59,541)	(49,939)
Other income	101	925
Loss from discontinued operations of Netsmart before income taxes	(77,878)	(19,581)
Income tax benefit	22,933	45,253
(Loss) income from discontinued operations, net of tax for Netsmart	<u>\$ (54,945)</u>	<u>\$ 25,672</u>

(1) Activity includes both Netsmart and intercompany transactions that would not have been eliminated if Netsmart's results were not consolidated.

Horizon Clinicals and Series2000 Revenue Cycle Discontinued Operation

Two of the product offerings acquired with the EIS Business in 2017, Horizon Clinicals and Series2000 Revenue Cycle, were sunset after March 31, 2018. The decision to discontinue maintaining and supporting these solutions was made prior to our acquisition of the EIS Business and, therefore, they are presented below as discontinued operations. Until the end of the first quarter of 2018, we were involved in ongoing maintenance and support for these solutions until customers transitioned to other platforms. No disposal gains or losses were recognized during the year ended December 31, 2018 related to these discontinued solutions. We had \$0.9 million of accrued expenses associated with the Horizon Clinicals and Series2000 Revenue Cycle businesses on the consolidated balance sheets as of December 31, 2018

The following table summarizes the major income and expense line items of these discontinued solutions, as reported in the consolidated statements of operations for the years ended December 31, 2018 and 2017:

(In thousands)	Year ended December 31,	
	2018	2017
Major classes of line items constituting pretax profit (loss) of discontinued operations for Horizon Clinicals and Series2000 Revenue Cycle:		
Revenue:		
Software delivery, support and maintenance	\$ 9,441	\$ 10,949
Client services	404	1,044
Total revenue	9,845	11,993
Cost of revenue:		
Software delivery, support and maintenance	2,322	2,918
Client services	830	261
Total cost of revenue	3,152	3,179
Gross profit	6,693	8,814
Research and development	1,651	1,148
Income from discontinued operations for Horizon Clinicals and Series2000 Revenue Cycle before income taxes	5,042	7,666
Income tax provision	(1,311)	(2,990)
Income from discontinued operations, net of tax for Horizon Clinicals and Series2000 Revenue Cycle	\$ 3,731	\$ 4,676

18. Business Segments

We primarily derive our revenues from sales of our proprietary software (either as a direct license sale or under a subscription delivery model), which also serves as the basis for our recurring service contracts for software support and maintenance and certain transaction-related services. In addition, we provide various other client services, including installation, and managed services such as outsourcing, private cloud hosting and revenue cycle management.

During the first quarter of 2019, we realigned our reporting structure as a result of the divestiture of our investment in Netsmart on December 31, 2018, the evolution of the healthcare IT industry and our increased focus on the payer and life sciences market. As a result, we changed the presentation of our reportable segments to Provider and Veradigm. The new Provider segment is comprised of our core integrated clinical software applications, financial management and patient engagement solutions targeted at clients across the entire continuum of care. The new Veradigm segment primarily focuses on the payer and life sciences market. These changes to our reportable segments had no impact on operating segments. The segment disclosures below for the years ended December 31, 2018 and 2017 have been revised to our current presentation.

We sold all of our investment in Netsmart on December 31, 2018. Prior to the sale, Netsmart comprised a separate reportable segment, which due to its significance to our historical consolidated financial statements and results of operations, is reported as a discontinued operation as a result of the sale. In addition, the results of operations related to two of the product offerings acquired with the EIS Business (Horizon Clinicals and Series2000) are also presented throughout these financial statements as discontinued operations and are included within the Provider reportable segment, except for acquisition-related deferred revenue adjustments, which are included in "Unallocated Amounts". Refer to Note 17, "Discontinued Operations."

As a result of the above changes, as of December 31, 2019, we had eight operating segments, which are aggregated into two reportable segments. The Provider reportable segment includes the Hospitals and Health Systems, Ambulatory, CarePort, FollowMyHealth®, EPSi™, EIS-Classics and 2bPrecise strategic business units, each of which represents a separate operating segment. This reportable segment derives its revenue from the sale of integrated clinical software applications, financial management and patient engagement solutions, which primarily include EHR-related software, connectivity and coordinated care solutions, financial and practice management software, related installation, support and maintenance, outsourcing, private cloud hosting, revenue cycle management, training and electronic claims administration services. The Veradigm reportable segment is comprised of the Veradigm business unit, which represents a separate operating segment. This reportable segment provides data-driven clinical insights with actionable tools for clinical workflow, research, analytics and media. Its solutions, targeted at key healthcare stakeholders, help improve the quality, efficiency and value of healthcare delivery.