

Sue Noack: Welcome. I am Sue Noack, Global Industry Director for Healthcare at Cognos and I want to thank you for joining us today for this virtual session on performance management in healthcare. Healthcare is often in the news, but perhaps more so now than ever before. Even our politicians understand the crisis in our industry. I would like to start out by providing some context from IBM's recent Healthcare 2015 studies. The report includes a detailed description of the drivers we believe make today's healthcare environment fundamentally different from the past and the possible scenarios for healthcare in 2015. We are talking healthcare delivery across the globe, where many nation systems including our own are approaching crisis and becoming unsustainable. We have escalating costs, we have inconsistent quality, and difficulty in meeting the needs of our populations. The growth in healthcare spending combined with healthcare drivers will continue to have major impacts on all healthcare providers. We believe that the five drivers listed on the left are pushing many healthcare systems in both developed and developing nations to unsustainability. This continued growth in spending in combination with the aforementioned drivers lead to some fundamental changes, a continuing search for value from an increasingly costly healthcare system, a movement away from employer based insurance, the increase in consumer responsibility, as well as new approaches to promoting health and delivering care and all the while our growing resource challenges. In sum, the world healthcare system is changing and these changes are directly impacting all stake holders including health plans, individuals, consumers, and care delivery organizations. Care delivery organizations will need to develop new and underline competencies to flourish in the healthcare industry of the future. Their focus will be on empowering their citizens to make better informed choices, collaborating and integrating across all venues and players, innovating around products and services as well as optimizing operational efficiencies, all of which are enabled through information technology and BI or business intelligence applications. In short, healthcare organizations must organize, analyze, and assimilate information from numerous and varied sources. They must turn data into information and leverage business intelligence tools to support their organizations. Today, healthcare providers many of which already have been in economic crisis are seeing further erosion in both utilization and compliance, further exasperating the bottom line. In fact, the current financial market meltdown is making it difficult and expensive for hospitals to finance facility and technology needs. Their increased costs of borrowing, decreased access to financing, and many hospital are seeing the impact of the economic downturn on the number and mix of patients seeking care. They are seeing lower admissions and elective procedures and there is rising unemployment leading to increased uncompensated care. If you saw the recent HFMA bulletin, they recommend three courses of action for healthcare providers and we will be focused on the second one here, which is becoming the low cost and high quality provider. Given the current industry crisis and spending, individual health systems, physician providers, and payers all need information to understand their current performance. They must understand their business to the extent they can identify core competencies, exploit competitive positions, promote productivity, and constantly improve measure and monitor quality. I have listed the four key drivers today. It's all about cost reduction, it's improving quality, it's about access and transparency and sustainability for profitable growth. So, how does Cognos help with improving the performance of a healthcare organization? As you know, there are many different factors

that affect performance, but one factor stands out as the most critical and the most fluid. That critical factor is the decision making that happens at every level in every function across your organization. Every one of those decisions is based upon the information people have on hand. That information is created from data that is produced and stored throughout the organization. In fact, it is coming from dozens, indeed sometimes hundreds of transactional systems that your enterprise supports today. When that data is grouped, categorized, and designed into information, then your healthcare users can access it better and better decisions result. When decision makers are looking to find answers, they ask questions in three fundamental areas. How are we doing and where are we right now, why, and how do we get here and most importantly what should we be doing and where are we going? To answer how we are doing, decision makers have to be able to measure and monitor the business. To dig down and determine why the situation is what it is, you need reporting and analysis capabilities. They give you the ability to look at historic data and understand trends to look at anomalies and to understand why and planning becomes the lynchpin between the two. Planning takes the understanding of what's going on and sets a forward looking view of the organization and it allows you to measure and monitor against actual performance. So, planning answers that question, what should we be doing. Measuring and monitoring, reporting and analysis, planning - these are the three fundamental capabilities that in combination make it possible to optimize a healthcare organization's performance. When you have these abilities, you can deliver targeted information to decision makers in your organization whenever and wherever they need it. You can equip people across the organization regardless of where they sit with the specific information they need in order to have an impact on performance. So, whether it is cost cutting or operational improvement or supporting your quality initiatives, performance management allows you to focus your organization on your strategic goals and optimize your current performance. When these capabilities are connected as part of one complete solution, the value to the organization increases exponentially. Information and the decision making impact it has when it is delivered into the right hands is accessible and consistent across the different functions and all areas of your organization. Let's take a look at a specific example. Let's take a look at a healthcare dashboard. Decision makers need the ability to measure and monitor the business and share current status. So, here is an example and what we see is that the patient satisfaction measures are off target. To dig down and determine why the situation is what it is decision makers need the ability to report and analyze operations so they understand the history, the context, and trends. When we drill through to report from this dashboard, we can actually drill through in context. Now that we know the issue we have, the next logical question is what should we be doing about it? We know that staffing levels have a direct effect on patient satisfaction, especially during their first experience of the hospital stay. So, to figure out what you need to be doing about it, in this example, we actually drill through directly to the staffing plan and it's from here that we can model and reallocate and adjust our staffing levels in order to reduce the load in admissions. We can then further use our dashboard and/or scorecard to check on this new modeling and this new staffing pattern going forward. So, what are the initiatives that processes the innovations that define performance management in healthcare. They are those that link to those four key drivers. It's around cost reduction, care quality, access and transparency, and sustainability. Remember the saying in healthcare, "If there

is no margin, there is no mission" and as I have listed several of them here, I have also added in the other dimensions around risk and compliance management and of course IT efficiencies all of which link in to the specific objectives for healthcare institution. So, what are some of these initiatives? They focus back to the main function of our delivering of care. It's the need to measure and monitor quality, outcomes, patient satisfaction, morbidities, and comorbidities, mortalities and adverse events. It also is about the need to control supply costs or wage costs, control personnel and risk. So, as a service provider, healthcare organizations need to survive today's calamitous financial situation and yet they also need to be able to compete both now and in the future. Let's talk about some of these initiatives in more details. With Cognos performance management, it enables healthcare organizations to exploit their own core competencies and to plan for growth. It's providing an integrated driver based system that allows you to migrate away from isolated departmental systems and aging decision support to an enterprise view in process to support your needs, to manage resources wisely, to support your departmental and quality initiatives, to align operations to strategic goals, and to instill accountability across the organization. It is about being agile and responsive and to anticipate the change in resources and service mix and payer mix to help your organization stay solvent and to grow. Because the Cognos performance management platform supports collaboration and alignment to strategic goals and can display the information through dashboards and scorecards, it's an excellent approach and solution to support your quality initiatives, which we will talk about next. To be sure, improving quality is a key objective for any care delivery organization. Cognos performance planning and BI are the perfect toolset for engaging the entire organization providing comparative metrics and supporting collaborative initiatives. So, let's talk about this for a minute. As you know, Cognos supports your quality initiatives, but of course Cognos doesn't improve care quality, your people do and the people in your organization can improve quality. They need the type of consistent, objective, and comparative data that becomes the key driver behind collaboration. Without the data, you have no way to measure, to monitor nor to improve and I believe that data, actionable data, is the key. In fact, actionable information is the enabler to transforming our healthcare industry and to quote George Halvorson, CEO of Kaiser Permanente from his latest book, Health Care Reform Now!: A Prescription for Change, which he published in 2007, he said, "It's time to operationally reform care. It's time to create a healthcare marketplace based on performance, value, continuous improvement, informed choices, and competitive prices, but reform takes data, accountability takes data and real competition takes data. Data is the key and right now healthcare lacks data." We can also talk about pay for performance and why this is top of mind for all healthcare providers. First piloted by Medicare, pay for performance or P for P is about changing behavior and to do that they are changing the reimbursements to their care providers. It's about paying people to do certain things right more often and consistently based upon national norms. Simply stated, care providers that report compliance will get an additional payment. This includes our hospitals, our physicians, and to primary care practice. It is the difference of obtaining the incentive payment, which is very important to their bottom line. Conversely, pay for performance initiatives are quickly moving to the punitive stance, ie., if you are not compliant, you will receive less payments and so our reimbursements are tremendously impacted and you can take a look at the new Medicare payments for adverse events in

2009. Where Cognos is assisting, it is against some really simple, old fashioned claims based data warehouses, where they deploy the analytics against certain measures such as did every heart attack victim that presented in their ER receive an aspirin within an hour, did every female over 50 in the care of her primary physician receive her annual mammogram? Today, the health plans use pay for performance as a means to incentive behavior and to control costs and they mind their own data stores for the same purposes to pay their participating providers. In a hospital, you may have employed physicians who are aligned with a large group practice and helping them meet their annual reporting requirements will help drive loyalty and loyalty brings back more referrals and at the bottom lines, patients receive better care. So, it's all about enabling physician participation and compliance by providing reporting capabilities very specific to their practice and to their patients. So, let's stop and talk a little bit about product for a moment. This particular slide shows the information on demand stack from IBM. As you know, IBM provides a great portfolio of software tools that provide a solid foundation for management of data and content. IBM also has solutions to move this data over to provide and establish an accurate, trusted, and single view of all this data that is coming in. What Cognos provides is the ability to leverage all this data and information assets and turn it into actionable information to make better decisions and to improve performance. So, unlocking this information improves your organization's bottom line and helps provide you with a sustainable competitive advantage. Cognos delivers a performance management system, a system that is designed not as multiple tools or several applications or systems, but a single performance management system architecture that can meet the needs of all their users across the organization. Cognos has continually evolved it's solutions towards more user centric and collaborative performance management solutions. Founded on a purpose built SOA platform, it is open and fits complex environment. The system allows healthcare organizations to leverage their existing investments and transactional systems, data sources, application servers, security systems, portals and more. So, what differentiates IBM Cognos as the leading performance management vendor in the industry? Well, Cognos provides and delivers the full range of capabilities departmental users need to monitor their operations to make better decisions and to plan for better quality outcomes. It also offers applications and blueprints based upon proven practices to help accelerate the success and deployment. We are the only vendor that provides a complete information management software offering, services, and best practices built upon a purposely built SOA platform with an open architecture that supports, but is yet independent of those transactional systems and *[Inaudible]*. What Cognos provides in financial performance management allows healthcare organizations to convert from fragmented, first generation consolidation processes to rich, purpose built systems. It allows you to replace manual spreadsheets and archaic processes to move to a collaborative, integrated approach to meet all your financial reporting needs including driver based planning, flexible modeling, and forecasting capabilities. From reporting to external stake holders to analyzing and optimizing performance to the planning, forecasting, management and control of enterprise resources, Cognos moves healthcare organizations from a reactive position to a proactive position in which to weather the current economic climate and to plan for their future. Today, healthcare finance administrators struggle with disconnected processes and disjointed systems and files to prepare their monthly performance and

statements. Strategic planning maybe entirely disconnected and a separate process. So, their ability to track activities and their impact on the goals of the organization is difficult. It is slow in process and it is typically a very lengthy and reactive process. With Cognos, we provide the ability to model the entire business linked between financial and operational, strategic and capital, and even the cash budget. With an integrated system, you can provide more timely reliable forecasts and plans to produce more agility and improved decision making as you respond to your environment of your organization. Let's take a look at a couple of customer examples. In this case, it is BlueCross BlueShield of Tennessee, one of the largest provider of health coverage and insurance products in the state. They had several challenges in corporate priorities that have been successfully addressed by both their strategy and Cognos solutions. If you take a look in order to implement their foundational components of a corporate performance management approach, BlueCross BlueShield of Tennessee deployed Cognos Enterprise Planning to facilitate and enhance planning, budgeting, and reporting process across nearly 600 call centers. Cognos Planning enabled their reporting analysis review and approval of the annual budget at all levels of the company using a centralized repository. They have since expanded performance management to include their comparison of actual execution to their forecasts using Cognos 8 business intelligence. This has allowed for improved performance management and providing their organization with scorecards and flexible metrics, increased productivity, more efficient use of resources, and everyone acting off the same single view of the truth. It has also helped to improve their relationship between performance and compensation plans, cross alignment with personal goals and strategic objectives and cross functional alignment across the common corporate goals. The Moran Health Care Group is Australia's largest private aged care provider. Their challenge was to meet the combination of shareholder management and government reporting requirements. Their systems included *function[Phonetic]* by fragmented payroll, accounting, and general ledger systems, which had led to a heavy reliance on staff re-keying, month end data, and to Microsoft Excel spreadsheets, which then produced the required reports. Inaccuracies inevitably crept in with every re-keying, resulting in delays in report collation. The sum effect was that the data was delivered too late for proactive decision making. Their solution using Cognos TM1 was to actually take a look at the electronic distribution of reports with up-to-date financial performance, occupancy figures, and residency. Their approach was to move to a financial performance solution to help better manage and distribute information and you can see some of the business benefits that were listed on the right. So, in addition to one of the major benefits has been the reduction in staff time required for reporting and what used to take weeks to calculate accruals and prepayments now takes milliseconds and their electronic distribution of reports provides managers up-to-date rather than month old information. So, before we conclude today's presentation, let's talk a bit about how we can transform a healthcare organization in today's economic climate into a high performing organization. You start by establishing an information agenda. This agenda establishes a corporate information vision tied to your business initiatives and strategies. It helps identify the technology needed to establish a common framework and infrastructure, it delivers a roadmap for implementing short and long term projects within the context of your strategy, and it helps organizations develop and implement cross line of business policies and procedures, so called governance for managing and protecting

information. All efforts in conjunction with each other result in a systematic methodology to ensure the strategic use of information resulting in business optimization. So, what is an information agenda? It is the strategic vision and roadmap for organizations to identify prioritize projects that deliver return, identify what data and content is important to the organization, it also helps to identify how and when information should be made available, it determines what capabilities are required to support it, to access it, and also to determine what management processes and governance practices are required to sustain the plan. Ultimately, it is the alignment and use of information to match the organization's business strategy and pursuits. If you take a look at this slide, you will see your strategic drivers around the outside of the wheel, within the inside are the business objectives within each of those functional areas that your organization may be embarking on today. So, with that, I would like to conclude today's presentation. I thank you for your participation today and I have listed my contact information on this last slide. I have also listed the website where you can also download copies of the IBM healthcare studies on 2015. Thank you and good day.